EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

ROMANIA
The long haul back to health
Page 2

FT No. 31,316
Thursday November 29 1990
D 8523A

World News

UK and Syria restore links after pledge on terrorism

Britain and Syria have restored full diplomatic relations after a four-year break, raising hopes for the release of British hostages in Lebanon. British foreign secretary Douglas Hurd said Damascus had given assurances that it rejects acts of terrorism. Page 20

Peking Gulf hint

Chinese foreign minister Qian Qichen denied reports that China would support a UN resolution authorising the use of force against Iraq and hinted it would abstain.

Noriega ban lifted

A Miami judge lifted a ban that had prohibited Cable News Network from televising government-made tape recordings of former Panamanian strongman Manuel Noriega's telephone conversations with his defence lawyers from prison.

Resignation threat

Hungarian finance minister Ferenc Rabar said he would resign, complaining his ability to set policy was being undermined by the prime minister's economic adviser. Page 3

Communists trail

A radical nationalist party was leading the ruling communists in unofficial results after elections in Yugoslavia's southern republic of Macedonia.

Airbus all-clear

India said the Airbus A320 can start flying on domestic routes, nine months after the fleet was grounded following a crash.

Bulgarian crisis

Bulgaria's embattled prime minister Andrei Lukanov was preparing to resign after widespread street protests against him. Page 2

Speed limits cut

France is reducing speed limits in built-up areas from 60 to 50kph from tomorrow and making compulsory the wearing of seat belts in the back of private cars.

Repatriation delayed

Repatriation of the first batch of boat people due to be sent back to Vietnam from Hong Kong under a new "non-voluntary" scheme has had to be postponed. Page 8

Chernobyl appeal

A Soviet official appealed in South Africa for international help to resettle 2m victims of the 1986 Chernobyl nuclear disaster.

Poverty in the EC

One in seven people in the European Community lives in poverty, according to a spokesman for the European Parliament's social affairs committee.

Mafia murders eight

Italy declared war on the Mafia after a night of gang murders in which at least eight people were killed in the Sicilian town of Gela.

Liberian ceasefire

Liberia's three warring factions agreed on a ceasefire, boosting prospects for an end to civil warfare that has claimed more than 10,000 lives.

Rebels storm jail

Left-wing rebels attacked a prison on the outskirts of San Salvador, killing two soldiers, one inmate and a prison guard.

Robber starts fire

Firemen rescued trapped customers after a robber set fire to a bank in the Swedish city of Gothenburg when his demands for money were refused.

Expensive drink

The driver of a truck containing FFr28m ($5.64m) worth of art treasures by Rubens, Watteau and Fragonard left the keys inside while he stopped for a quick drink in a Paris cafe. He returned to find the truck had gone.

Business Summary

Fiat to invest L5,000bn in two southern Italy plants

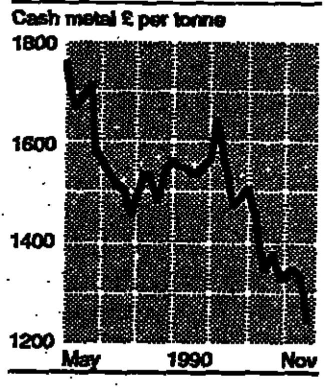
Fiat Group is to invest about L5,000bn ($4.51bn) in building two production plants in the south of Italy. The decision will be seen as a vote of confidence in the Mezzogiorno region, where organised crime and social and economic problems are seen as obstacles to attracting industrial investment. Page 21

LUFTHANSA, 50-per cent state-owned German airline, could become the focus of further round of privatisation to help to cover the costs of unity. Page 21

COPPER closed at £1,244 ($2,438) a tonne on the London Metal Exchange – the lowest level for more than two years.

Copper

Cash metal £ per tonne



Comex copper prices were also in retreat at midday on fund selling and LME lead prices closed at 2½-year lows. Commodities, Page 38

EUROPEAN carmakers are seeking to unite their lobbying organisations in Brussels to overcome frustration at their inability to present a common front to the European Commission. Page 20

MARKETS: Rumours in Hong Kong that speculators might be in financial trouble dragged down The Nikkei average by 569.63 to 23,053.88. In Frankfurt the DAX index rose 5.36 to 1,420.63. In Paris The CAC 40 eased 4.87 to 1,601.25. Back page, Section II

OLYMPIA & YORK, diversified Canadian property group, is taking steps to improve its liquidity and accelerate the disposal of non-core businesses. Page 21

NATIONAL REVIEW, London-based leading think tank, says the world's big seven economies face a marked slowdown next year. Page 13.

US SEMICONDUCTOR manufacturers have urged President George Bush to seek a new trade pact with Japan, to take effect when the current five-year chip agreement expires next summer. Page 10

VARIABLE rate note buyers, market which has provided a valuable source of capital for many of the world's banks, are voicing concern about the stresses within the international banking system. Page 21

PLM, Swedish based packaging group and the fifth largest packaging company in Europe, announced a 29 per cent increase in profits after financial items for the first nine months of the year. Page 22

PHILIPS, big Dutch electrical group now undergoing profound restructuring, is raising $2bn from international banks. Euromarkets, Page 25

ANZ, Australia and New Zealand Banking Group, blames "the harshest economic environment for small and medium-sized businesses since World War Two" for a 42.8 per cent reduction in net profits, Page 23

FERRUZZI, Italy's second biggest private-sector industrial group, is reviving the name of Montecatini for developing an expanded presence in advanced chemical materials production. Page 22

Major appoints Lamont as chancellor of exchequer

By **Philip Stephens**, Political Editor, in London

MR John Major, Britain's new prime minister, last night appointed Mr Norman Lamont as chancellor of the exchequer as he unveiled his first cabinet intended to rebuild party unity and to promote a new generation of ministers.

Within hours of his formal appointment as prime minister by Queen Elizabeth Mr Major brought Mr Michael Heseltine, a former defence secretary, back into the cabinet as environment secretary, charged with reform of the controversial poll tax.

Mr Douglas Hurd remained foreign secretary. Earlier in the day, Mr Cecil Parkinson had resigned as transport secretary.

Mr Lamont's promotion to the post of chancellor will maintain the balance in the most senior ranks of the government on policy towards Europe. He is deeply sceptical about moves towards closer European integration and his central role in negotiations on monetary union will provide a brake on the enthusiasms of some members of the cabinet.

Michael Heseltine returns as environment secretary

Norman Lamont becomes chancellor of the exchequer

Kenneth Baker moves to the Home Office

Douglas Hurd stays on as foreign secretary

The new chancellor is committed to pushing the government's plan for a common currency based on the "hard Ecu" as an alternative to the Delors blueprint for a single European currency and central bank.

In a signal that he intends to promote a softer, more caring image in the run-up to the next general election, due by mid-1992, Mr Major switched Mr Chris Patten from environment to the key role of party chairman. Mr Patten, 46, is among the brightest of Mr Major's own generation of senior Tory ministers and has long been identified with the left of the party. As chairman he will be charged with preparing the general election manifesto and he is expected to emphasise a commitment to improving public services and to helping the less affluent.

Earlier, Mr Major, in his first remarks as prime minister, stood on the steps of 10 Downing Street with a promise to build "a society of opportunity" in which all could prosper from their talents, their application and their good fortune.

He told massed ranks of journalists: "I want to see us build a country that is at ease with itself; a country that is confident; and a country that is able and willing to build a better quality of life for all its citizens."

Continued on Page 20
Background and details, Page 12; Editorial comment, Page 18; Lex, Page 20; Markets, Second Section

Greenspan says economy now suffering downturn

By **Michael Prowse** in Washington

MR Alan Greenspan, chairman of the US Federal Reserve, yesterday admitted that the US economy had entered a "meaningful" downturn and that many types of businesses were experiencing greater difficulty obtaining credit.

Testifying before the House of Representatives banking committee, he said that the interaction of "rising oil prices, Persian Gulf uncertainties, and credit tightening is apparently creating a greater suppression of economic activity than the sum of the forces individually".

The falling dollar would restrain imports and provide some stimulus to exports. But it was also a cause for concern because it compounded the inflation threat from higher oil prices and could "put at risk our ready access to net inflows of foreign saving."

The Gulf crisis, he told congressmen, had heightened the uncertainties surrounding monetary policy. The recent easing of the federal funds rate to 7.5 per cent had been partly a response to the weakening real economy, partly a response to the fiscal tightening brought about by the recent Budget agreement, and partly a response to evidence of further unintended credit tightening.

Mr Greenspan, however, appeared to reject the case for a sharp cut in interest rates, arguing that monetary policy should be stuned to producing "long run non-inflationary growth". There was no policy initiative that could prevent the transfer of wealth and cut in living standards caused by higher prices for imported oil.

He did, however, express considerable concern about the tightening of credit, which had got worse since July. Anecdotal information showed that the problem was not restricted to property: "many types of businesses are encountering difficulty obtaining finance".

Mr Greenspan's warning follows a speech last week by Mr Nicholas Brady, the treasury secretary. Mr Brady implored banks to keep lending to their good customers and berated regulators for showing a lack of balance and judgment.

Mr Greenspan confirmed that the Fed was looking at the possibility of relaxing commercial banks' reserve requirements as a means of easing pressure on the fragile banking system. But no decision had yet been taken.

At present, the Federal Reserve imposes a 12 per cent reserve requirement on banks' transactions balances and a 3 per cent requirement on non-personal time deposits. Mr Greenspan hinted that the time deposit requirement might no longer be needed given changes monetary policy since the early 1980s.

Discussing the state of the economy, Mr Greenspan fought shy of using the term recession. However, he noted that all the indicators suggested a meaningful downturn in aggregate output had occurred in October and November.

He said that the clearest manifestation of weakness was in the labour market where private employment and hours worked dropped markedly in October, and where initial claims for unemployment insurance had moved significantly higher in recent weeks. In addition industrial production – especially in the motor vehicle and construction supplies sectors – had fallen.

The fall in employment and hours was "causing personal income to decline at the very time that rising energy prices are squeezing many household budgets". The drop in real purchasing power, along with plunging consumer sentiment, did not bode well for future consumer demand.

On the oil market, Mr Greenspan said that production lost from Kuwait and Iraq had been made good. Given the current apparent balance of supply and demand of crude oil, spot prices might have been expected to be be substantially lower but for the general uncertainty caused by the Gulf crisis.

Alan Greenspan: US has entered "meaningful" downturn

Gulf states offer Soviets $4bn in emergency aid

By **Tony Walker** in Riyadh and **Leyla Boulton** in Moscow

WEALTHY Gulf states, led by Saudi Arabia, have offered the Soviet Union loans and emergency aid of up to $4bn to help overcome its economic difficulties.

The move is aimed at bolstering Soviet efforts to persuade Iraq to withdraw from Kuwait.

Prince Saud al-Faisal, the Saudi foreign minister, discussed the aid package with Soviet President Mikhail Gorbachev in Moscow yesterday.

Prince Saud was on his way to the United Nations in New York, where the Security Council is expected to endorse a resolution issuing an ultimatum to Iraq to withdraw.

Sheikh Mohammed Ali Abal-Khail, the Saudi finance minister who accompanied Prince Saud to Moscow, will remain in the Soviet capital for detailed discussions on the loan proposal.

The offer of substantial Arab assistance to the Soviet Union comes just two months after Saudi Arabia restored full diplomatic relations with Moscow after more than 50 years.

According to a senior Saudi official, assistance would be provided by the six-member Gulf Co-operation Council (GCC) in the form of emergency relief to help deal with immediate problems, such as food shortages and also in soft loans for projects aimed at restructuring the stricken Soviet economy. No further details of the loan package were available.

The official said GCC states – Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar and Oman – had collectively agreed to assist the Soviet Union, but help would be negotiated on a bilateral basis.

Mr Abdulmohsin al-Duaij, Kuwait's ambassador to Moscow, said the loan was unconditional. "They can do whatever they want with it. What we want to do is help the Soviet economy. We hope the money will ultimately go to the benefit of the Soviet people."

Mr al-Duaij denied that the loan was explicitly a reward for Soviet support of tough action to expel Iraq from Kuwait. "The Soviet position has been clear from the start. It's just that they wanted to give Saddam Hussein some more time. I think they've now decided that time is no longer the element; that it's now up to Saddam Hussein to decide whether the issue will be settled peacefully or by war."

Saudi Arabia, which has benefited from the recent sharp rise in oil prices, will contribute at least half of the GCC assistance to the Soviet Union, but the exiled government of Kuwait is also making a substantial contribution of perhaps as much as $550m.

Middle East, Page 8

EC fishing fleet needs cuts of 40% to rebuild falling stocks

By **Tim Dickson** in Brussels

CUTS OF at least 40 per cent in the European Community's outsized fishing fleet are urgently required to help rebuild dwindling fish stocks, the European Commission warned yesterday.

Detailing the crisis facing the eight-year-old common fisheries policy, Mr Manuel Marin, the commissioner responsible for the sector, painted a bleak future for Europe's 300,000 fishermen, notably those dependent for their living on the North Sea.

The warning comes in a "communication" to the EC Council of Ministers which is likely to form the basis of detailed Brussels proposals next year.

It concludes that it is "urgent and necessary to adjust the CFP to ensure optimum balance between fishing effort and resources".

Evidence presented by a group of independent experts suggests that, because of overfishing, the mortality rate for more than 90 per cent of the North Atlantic stocks of the main species is too high.

For a large number of species, notably cod, haddock, plaice and herring, "the level is four times higher than what it should be if resource equilibrium is to be attained".

As a result "a gradual reduction from present fleet capacity levels of at least 40 per cent on average must be envisaged for all Community fisheries".

Mr Marin said analysis of individual stocks and fleets would begin in Brussels to see where cuts would be made.

He promised that EC financial support, including direct income payments, would be provided to ease the transition into other jobs or to tide fishermen over until stocks recover.

Previous efforts to limit the size of the EC fleet have led to only small reductions.

Yesterday's report highlights the limitations of the EC's resource conservation policies, which have operated since 1983 mainly via a system of overall Community catch allowances (known as TACs) divided up into national quotas for each species.

In an interview yesterday Mr Marin said he saw no alternative to continuing with the present TAC arrangements when the CFP is formally reviewed in 1992 – but he argued strongly in favour of transferring the control and surveillance powers now exercised by national governments to Brussels.

"The effectiveness of conservation policy depends on surveillance of fishing activities, where there are serious gaps at the moment".

He said that the situation could also be improved by recourse to modern communication techniques involving the use of satellites and establishment of an integrated computer vessel location network".

● In Brussels yesterday Mr Marin made it quite clear that he thought the responsibility for the disarray of the Common Fisheries Policy lay with the EC's member states and their failure to control overfishing.

Full report, 'Taking the flak over EC fishing debacle', Page 36

CONTENTS

Little room for manoeuvre for Singapore's new prime minister

With the country's trade figures and business expectations at their lowest levels since the 1985 recession, Singapore's new prime minister, Goh Chok Tong, may have his work cut out.

Page 8

MARKETS

STERLING
New York lunchtime:
$1.9705
London:
$1.9725 (1.975)
DM2.9275 (2.9225)
FFr9.8775 (9.86)
SFr2.5 (2.4875)
Y256.0 (253.5)
£ index 94.6 (94.5)

GOLD
New York: Comex Dec
$385.7
London:
$(385.0)

N SEA OIL (Argus)
Brent Jan
$32.375 (32.65)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.48305
FFr5.0030
SFr1.2665
Y129.745
London:
DM1.484 (1.48)
FFr5.0075 (4.9925)
SFr1.268 (1.259)
Y129.8 (128.3)
$ index 60.3 (60.0)
Tokyo close: Y128.9

US lunchtime rates
Fed Funds 7½%
3-mo Treasury Bills:
yield: 7.27%
Long Bond:
103¹¹⁄₃₂
yield: 8.43%

STOCK INDICES
FT-SE 100:
2,144.3 (−15.2)
FT Ordinary:
1,886.2 (−13.5)
FT-A All-Share:
1,031.25 (−0.7%)
New York lunchtime:
DJ Ind. Av.
2,554.21(+10.4)
S&P Comp
319.70 (+1.6)
Tokyo: Nikkei
23,053.88 (−569.63)

LONDON MONEY
3-month interbank:
closing 13⅝% (13½)
Liffe long gilt future:
Dec 86¹¹⁄₃₂ (87¹⁷⁄₃₂)

Bulgarian prime minister set to quit after protests

By Judy Dempsey

BULGARIA'S Prime Minister, Mr Andrei Lukanov, was last night preparing to resign following widespread street demonstrations in the capital, Sofia, and other cities and persistent calls for his resignation from the opposition Union of Democratic Forces.

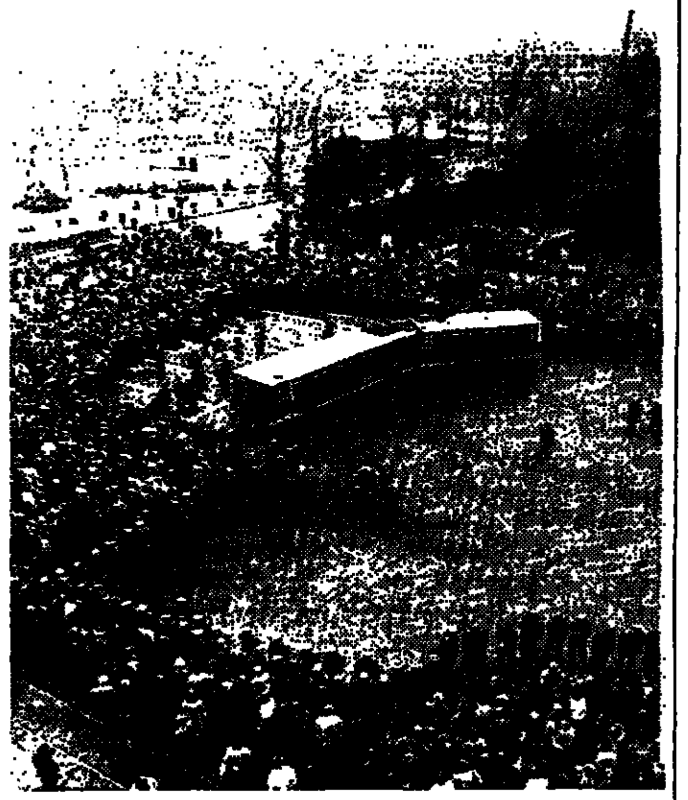
Mr Lukanov, who survived a no-confidence vote last week, seems to have realised that his government cannot hope to implement economic reforms without the support of the opposition and the population.

"The place is absolute bedlam," a writer living in Sofia commented yesterday. "As the food shortages get worse, as the rationing continues, the political parties just fight for the power. It is pathetic."

Mr Lukanov's government, which is made up of ruling Bulgarian Socialist (former communist) party ministers, and which won a comfortable majority in last June's first free elections, has failed to win support for any reforms, on the grounds that it comprised by old communists dressed up in newish socialist clothes.

Mr Lukanov had planned to introduce a privatisation package, cut back subsidies and liberalise prices with the aim paving the way for the market economy. But over the past few weeks, demonstrations organised by the UDF, and nationwide strikes which were organised last Monday by Podkrepa, the independent trade union, argued that Mr Lukanov no longer had a mandate to govern the country.

Since June, Mr Lukanov has insisted that he wanted a government of national consensus in order to push through the reforms, without which Bulgaria would not receive much-



Anti-government protesters blocking streets in the capital Sofia

needed foreign investment and a stabilisation package organised by the International Monetary Fund.

But the UDF, a loose coalition of 16 political groupings, refused to join in any coalition and instead continued to expose the communist background of the BSP.

The task now facing President Zhelyu Zhelev is to find a compromise candidate to form the next government. The official Bulgarian news agency, BTA, reported that an independent candidate might be chosen to replace Mr Lukanov.

His resignation may finally put an end to the instability and bitter infighting among parliamentary deputies.

However, the UDF may well be forced to introduce the same economic austerity measures as advocated by Mr Lukanov.

Portugal sets a date for commercial TV

PORTUGAL'S government has set a timetable for the establishment of commercial television channels, ending months of uncertainty and frustration for prospective bidders, Patrick Blum writes from Lisbon.

Mr Anibal Cavaco Silva, the prime minister, said yesterday that conditions for bids would be made known in December and that competing bids would be evaluated and decided upon by March next year.

Portugal has two state-owned and run channels, RTP 1 and 2; plans are to allow two nationwide private channels to operate alongside them. After months of controversy, including a row over the Roman Catholic church's interest in a "preferential" TV slot, parliament approved legislation for ending the state's television monopoly last July.

This, however, was followed by criticism from the industry which complained that initial conditions were too restrictive and could endanger the viability of private broadcasting.

Mr Cavaco Silva also announced that the existing viewers' licence fee will be abolished in January.

The long haul back to health in Romania

Foreign aid is needed to put new life into a moribund system, writes Judy Dempsey

MR BOGDAN Marinescu, Romania's health minister, is a tired and weary man. As he attempts to secure support for a new health system, fresh obstacles stand in his way almost every day. The greatest one is the miserable legacy bequeathed to the ministry *from the Ceausescu regime.*

Under that regime, the health system was systematically run down. Mr Nicolae Ceausescu's attempts to pay off at breakneck speed the country's hard currency debts during the 1980s led to a corresponding decline in public expenditure and investments in the health service.

But the cutback in health spending went beyond a deterioration in services. It undermined the social fabric.

In the early 1980s, women were obliged to have children after the regime embarked on a public campaign to raise the birth rate. Abortion and contraception was banned.

Despite the campaign to raise the birth rate, there were few incentives to facilitate the programme. Food rationing was introduced in 1981, imports were banned and hospitals were starved of investments. As a result, women were often forced to abandon their children in orphanages, or else resort to illegal abortions and risk infection.

Mr Ceausescu's obsession with increasing the birth rate coincided with a campaign against the medical profession. Doctors and nurses, always under the watchful eye of the hated Securitate, or secret police, were frequently accused of taking bribes, a common practice in eastern Europe because medical staff were so *badly paid. And as its public* status deteriorated, it failed to attract the younger generation into the profession.

Child care in nurseries, orphanages and paediatric hospitals bore the brunt of a decline in trained personnel. Mr Marinescu says that explains why today there are 128,000 children in "Child Protection Units."

Of that number, 14,800 children up to the age of three are in orphanages. Another 84,900 children, aged between 4 and 18 years, and under the supervision of the Ministry of Health and Science, are living in orphanages and educational institutions. The Ministry of Labour is entrusted with looking after 23,000 orphaned and handicapped teenagers.

Recent Western visitors to these institutions have been shocked by the conditions. Children were left unfed, unclothed and uncared for in conditions described by western doctors as medieval.

Mr Marinescu says such neglect was a result of a combination of factors: inexperi-

HEALTH IN EASTERN EUROPE

enced and poorly-paid staff, public indifference, and society's lack of awareness about the true situation. French and British doctors are more critical.

"Romanians tell us they did not know about the situation," said one British doctor. "If they did, they say they could do nothing to improve conditions. The indifference towards the way orphans and handicapped children were treated, and the public stigma attached to handicapped children, was shocking. It seems to me that Romanians were hostile about knowing the truth," he added.

Doctors and health organisations visiting Romania also comment on how medical supplies sometimes find their way into the black market as a result of the continuing shortages; that staff in villages remain suspicious and sometimes obstructive towards outside help. This is hardly surprising. For decades, Romanians were banned from speaking to foreigners.

Mr Marinescu contends every day with these criticisms. "The problems are enormous. We have to change the mentality among the population. But to do this, we have to find the resources."

Helped by the World Health Organisation, the Ministry has started to improve medical services. Progress has been steady but slow, largely due to the bureaucratic inertia, the lack of computers, an untrained medical profession and few resources.

The lack of resources appears to be the most immediate problem. The Health Ministry reckons it requires $1.4m to repair orphanages; $1.2m for repairing 10 of the 32 hostels for severely handicapped children (the remainder are not fit for use); another $5.9m for repairing half of the 49 special education units for deficient children. But a shortage of raw materials delays repairs.

Feeding the children is another problem. In a recent report the Ministry concluded that the state's monthly food budget of $4.6m for all the childrens' institutions is inadequate. "The improvement of food would require monthly food imports worth $2m...we do not have the money."

As for medicines, the monthly bill is $900,000, of which $700,000 is spent on imports. Clothing and accommodation for the winter months will cost an additional $2.4m.

The government's long-term programme to improve childrens' institutions will cost $100m, while "in order to attain the targets for the next six months, we need $27m." But Mr Marinescu knows that the government's coffers are empty.

A visit to any of the pharmacies in Bucharest confirms this. It is still impossible to buy soap, tampons, penicillin, aspirin, nappies, diapers, sanitary towels, baby food, antiseptics, bandages and condoms.

A visit to any hospital confirms the shortages of personnel and medical equipment. In the meantime, Romanians with money, connections and access to the black market continue to by-pass the queues.

Hence Mr Marinescu's plea for concerted international assistance. Without such help, he believes that the health system, or the population's mentality, have little chance of changing for the better.

This is the last article in a three-part series on the state of eastern Europe's health systems. Previous articles appeared on the foreign pages on November 16 and 27.

BP chief warns of serious overcapacity in Europe

By Clive Cookson

FT CONFERENCE
PETROCHEMICALS IN EUROPE

THE European petrochemicals industry faces serious overcapacity in the 1990s, with new plants planned during the chemicals boom of the late 1980s coming on stream during a period of slow growth, senior executives told the Financial Times conference on European Petrochemicals in London yesterday.

Mr Bryan Sanderson, chief executive of BP Chemicals, warned that the "fragmented" European industry faced a "formidable squeeze" which should lead to its restructuring. He pointed out that half of the European capacity for producing olefins – key building blocks of petrochemicals – is still in the hands of national companies with no capacity outside their home country. "This hardly seems an appropriate structure with which to approach the European market post-1992. It is as inappropriate for petrochemicals as it is for airlines, aerspace, the automotive industry and almost any other commercial operation."

Mr Jim Gordon, chemicals co-ordinator for the Royal Dutch/Shell group, said: "We foresee a significant overcapacity affecting overall industry performance" until the mid-1990s, as a result of decisions already taken inside and outside Europe."

US petrochemical companies would be quicker to close excess capacity than their European counterparts, Mr Gordon said.

Some speakers at the conference were excited about long-term market opportunities in eastern European. But Mr Gordon warned against expecting too much too soon.

Mr Alan Plaistowe, president of the Chem Systems Group, described a detailed study of the East European industry by his consultancy. "We are coming to the conclusion that the capital stock of the industry may not be as bad as everyone seems to think," he said. "Some of the more modern, larger plants and refineries have some chance of survival with selective modernisation and improved operations.

As the conference chairman, Mr Hugo Lever, director general of the European Chemical Industry Federation, said that the most immediate issue facing the industry is the outcome of the Gulf crisis. But, he added: "Wars are not in the textbooks of economists." None of the speakers made predictions about the Gulf.

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Spain forced to shelve property re-rating survey

By Peter Bruce in Madrid

SPAIN'S socialist government yesterday postponed for a year a controversial nationwide increase in rateable property values, following an extraordinary week of public and political protest.

The climbdown, by far the most spectacular the government has made in its nine years in power, will cast a cloud over the political career of the country's finance minister, Mr Carlos Solchaga.

Yesterday, Mr Solchaga accepted ultimate responsibility for the plan to revise land values, and said that during the year's postponement the government would try to iron out the inequalities thrown into focus by the scheme.

The decision to halt the scheme is an important reversal for the minister and the government as a whole. The authorities have been engaged for four years in a painstaking $1bn (£500m) effort to photograph from the air every inch of the country, and then to draw up a cadastral survey listing, for fiscal purposes, the size and position of every property in Spain.

Such a survey, designed to gauge the fiscal value of land, has never been completed before in Spain; Mr Solchaga insisted yesterday that the survey was essential in order to bring proper fiscal transparency to the country. The authorities believe average urban rates are currently set about a fifth of market values.

But Mr Solchaga said: "We have underestimated public reaction." Mayors of large Spanish cities have been encouraging property owners to take legal action against the imposition of new land values and tens of thousands of court actions have been opened around the country.

The new land values were designed to raise the taxable value of some 20m urban properties in Spain from around Pta15,000bn (£80bn) to Pta42,000bn in the first phase. A second phase would take rateable values to within 70 per cent of market values, which the authorities estimate to be worth some Pta120,000bn. Property owners and conservative political opposition parties have assumed the new values are in themselves a tax, and government attempts to explain otherwise have failed.

The government was forced to react quickly when it became clear on Monday and Tuesday this week that the socialist party was beginning to panic. Municipal elections in Spain are just six months away and the socialists are not polling well in large cities.

Industrialised states pledge over $1bn for environment

By William Dawkins in Paris

THE 25 largest industrialised and developing countries yesterday agreed to form a fund of $1bn (£500m) to $1.5bn to combat environmental problems.

A meeting at the European headquarters of the World Bank gave the go-ahead for the fund to help developing countries tackle cross-frontier pollution and finance measures to protect the ozone layer.

The bank has recently been increasing the amount of normal lending for environmental schemes and is keen to widen the sources of funds available for such projects. The fund, proposed by France at the 1989 meeting of the World Bank and the IMF, is expected to be operational in six months.

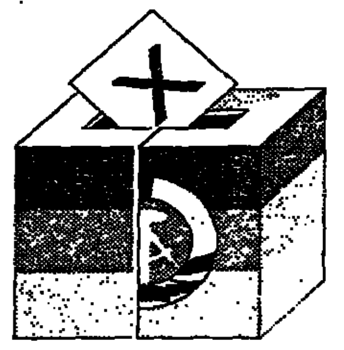
Donor countries would make direct contributions, though they could also co-finance individual projects. France is planning to make available FFr900m (£92m) over three years, on condition that others follow its example. The US has also said that it will contribute.

This comes on top of a $160m special fund established under the Montreal international convention on protection of the ozone layer.

Greens in the west prepare to save themselves

By David Goodhart in Bonn

GERMANY'S charmingly chaotic and faction-ridden Green Party is stubbornly refusing to die. Despite the evaporation of last year's fleeting hopes of a Red-Green coalition in Bonn, the stealing of its policies by the bigger parties, and poor relations with the east German Greens, it looks set to defy, once again, the political obituaries.



German elections

Next Sunday's election should see the Greens comfortably over the 5 per cent hurdle and into the all-German parliament, although they are expected to slip back a little on their surprisingly good 8.3 per cent in 1987.

Ecology has been temporarily submerged by German unification on the national stage but that has made little impression on the Greens' loyal voters, and may even have pulled in a few new ones fed up with wall-to-wall unity. However, some anxiety about clearing the 5 per cent hurdle is always a useful vote-winner for the party.

The Greens benefit from the support of many voters who do not strongly identify with the party between elections but believe it is desirable to keep them in parliament as an influence on the bigger parties.

"Everyone talks about Germany, we talk about the weather," is a nicely offbeat campaign slogan, but the Greens are running a rather lacklustre campaign. In the last couple of weeks they have at least calmed fears that they might be becoming too boring, by destroying the Red-Green coalition in west Berlin and getting several visits from the Bonn police in connection with attempts to persuade US soldiers to desert, rather than fight in the Gulf.

But global warming is not much of a theme in east Germany, where, despite appalling pollution, people have more basic concerns.

This point is grasped by the east German Greens. They are for unity and for the social market economy and are thus considered rather backward by their west German cousins.

Thanks, however, to an alliance with the citizens' rights group Bundnis 90 – the group which led the early stages of the east German revolution and still claims some of the most impressive east German politicians – the Greens in east Germany may poll about 10 per cent.

The west German Greens wanted to see the continuation of two German states and so have had little to say about the unification process, except that it is all happening too quickly and has destroyed the chance for a radical "third way" between capitalism and socialism. They will merge with the east German Greens after the election but "cultural differences" are likely to remain for a long time to come.

The west German Greens who will be elected to the Bundestag will be some way to the left of the current Green MPs who belong overwhelmingly to the pragmatic "realo" wing of the party.

With the radicals in charge, a merger with the PDS, the former East German communists, is likely. That will probably drive out the remaining "realos", especially if the "realo" Greens in the state of Hesse fail to form a Red-Green alliance with the Social Democrats in the state election in January. The "realos" would find a comfortable home in the new eco-conscious SPD. It is the new model SPD combined with the Greens' failure to win younger voters that will eventually prove those political obituaries right.

Brussels launches move to abolish double tax

By Lucy Kellaway in Brussels

PROPOSALS to abolish all double taxation between member states and stop the present system whereby companies can be penalised for doing business in more than one EC country were yesterday launched by the European Commission.

Brussels is suggesting that companies with subsidiaries in another member state could offset any losses made by the subsidiary against the profits made by the parent company.

The Commission fears that the present tax treatment – which often results in companies being taxed twice – may discourage companies from investing across frontiers, when the tax treatment is more attractive for investment made within one country.

A second corporate tax directive would mean that interest payments or fees from one part of the company to another in a different EC country could be made without attracting any withholding tax. The proposals are a sequel to three directives aimed at rationalising corporate taxation agreed last summer, after 15 years of squabbling between ministers.

Ms Christiane Scrivener, the EC tax commissioner, yesterday expressed hope that the two latest directives could be agreed much more quickly.

However, the new proposals, like the earlier ones, will need unanimous support from the Twelve, so her forecast could prove to be optimistic.

The directives have been given a warm welcome by European businesses which has put them at the top of their list of priorities for EC legislation.

At the moment companies that do business in more than one country are likely to have to pay tax in each country in which they operate.

Although double taxation treaties exist between some member states, getting the tax back can often be cumbersome and time consuming. Moreover, a difference is frequently made between the treatment of branches, which are legally a part of the parent company's tax return, and subsidiaries, which are separate entities.

The Commission is proposing that such differences should be smoothed out, so that 75 per cent owned subsidiaries should get a similar tax treatment to branches. It wants to encourage cross-border investment: as start up ventures normally make losses, an inability to write off these losses may act as a disincentive to direct investment.

Norway central bank dubious of fiscal policy

NORWAY'S central bank yesterday revised downwards its forecast of robust economic growth for 1991 and warned of possible pitfalls of the expansive fiscal policy being pursued by the minority Labour government, which returned to power earlier this month, Karen Fossli reports from Oslo.

In its quarterly report, the central bank forecast that Norway's gross domestic product would next year expand by 3.25 per cent, well above its main trading partners, but below June's forecast of 4 per cent.

According to the report, the expansive fiscal policies of the Labour government, led by Mrs Gro Harlem Brundtland, would fuel moderate growth of 1.75 per cent in Norway's mainland economy, which excludes shipping and petroleum.

Norway's mainland economy this year is forecast to see investment fall by 7.25 per cent but rising by 3 per cent in 1991, thanks to investment in the petroleum sector.

Labour is seeking to rally support for a new budget proposal which includes a NKr3.6bn ($620m) increase in its deficit to NKr50.8bn over that proposed in October by the former centre-right coalition government.

Hungary's minister of finance decides to quit

By Nicholas Denton in Budapest

MR Ferenc Rabar, Hungary's finance minister, has said he intends to resign, exposing the conservative government's disarray in the face of deepening economic crisis, less than a week before next year's crucial budget is scheduled to go before parliament.

The finance minister has long been at odds with Mr Gyorgy Matolcsy, the economic adviser to the prime minister and the cabinet, and was expected to leave the cabinet in an impending purge of economic ministers.

"Whether Matolcsy stays or not, I am going," Mr Rabar said in an interview in yesterday's Vilaggazdasag, the economics daily. He accused the prime minister's adviser of second-guessing him by preparing alternative versions of the government's programme.

Mr Matolcsy responded that his attacks had been not against the finance minister personally, but rather against the restrictive economic policy that he represented.

The public clash between the two officials is just the latest in a series of arguments which have hobbled the government since it came to office last May.

Mr Rabar and Mr Matolcsy, who are both regarded as radicals, have often joined forces against their more cautious and interventionist cabinet colleagues.

But Mr Matolcsy's belief in supply-side economics jars with Mr Rabar's fiscal orthodoxy, and their separate and unco-ordinated proposals for what amounts to shock therapy for Hungary's economy have been diluted.

The present turmoil comes at a critical time.

The cabinet held an emergency session yesterday to try to close the gap between the record Ft90bn-100bn ($1.5bn-1.65bn) budget deficit it plans for 1991 and the Ft50bn thought acceptable to the International Monetary Fund delegation which arrived in Budapest last weekend.

IMF approval is essential if Hungary is to avoid insolvency and finance the current account deficit. It is expected to reach $1.5bn for 1991 when it will have to pay Gulf-inflated world-market prices for previously subsidised Soviet oil supplies. The cabinet's failure to agree on a position acceptable to the IMF has also delayed the budget that independent experts are convinced cannot pass parliament in time for the new year.

IBM joins European research project

By Michael Skapinker

IBM of the US has become the first non-European company to be admitted to Jessi, Europe's largest semiconductor research project.

Jessi has, however, postponed a decision on a far more difficult subject: what to do about ICL, the British computer manufacturer which has been bought by Fujitsu of Japan.

Jessi – the $5bn (£2.5bn) Joint European Submicron Silicon initiative – is expected to announce today that IBM will be allowed to participate in two of its projects. One is a semiconductor equipment project and the other is a project on lithography, the writing of circuits onto chips.

The Jessi board, meeting in Munich last Tuesday, postponed a final decision on ICL's continued participation. STC, the UK telecommunications manufacturer, announced last July that it was selling ICL to Fujitsu. As ICL does not officially pass into Fujitsu's hands until tomorrow, the Jessi board is thought to have decided it could not yet make a formal ruling.

European chip executives are split on the issue. Some believe that a Japanese-owned company should not be allowed to remain in Jessi. They argue that the programme was set up last year specifically to enable the European industry to fight back against Japan's domination of the world semiconductor industry.

Others say that if ICL is a European company today, it does not cease to be one tomorrow, when it is formally taken over by Fujitsu. All that has changed is its ownership, they say, not the location of its research and manufacturing.

Although ICL's participation in Jessi is minor, it does take part in other European research programmes. Fujitsu officials have said they would regard the exclusion of ICL from European research programmes as a blow. Mr Masaka Ogi, president of Fujitsu Laboratories, said that ICL's European status was one of the main reasons for acquiring it.

THE URUGUAY ROUND: MAKE OR BREAK

● Next week's Gatt trade talks in Brussels, the culmination of four years' negotiation, are in disarray. FT writers look at the obstacles facing ministers

Uphill all the way to the summit

FOUR YEARS ago in Punta del Este, Uruguay, trade ministers sent their negotiators off on the most ambitious overhaul of the world trading system ever attempted.

For two and a half decades after the Second World War, under the aegis of the General Agreement on Tariffs and Trade (Gatt), trade in goods had expanded considerably faster than production, supplying an important stimulus to the growth in the world economy.

In the 1970s the pace slackened. Governments evaded Gatt rules by subsidising industries threatened by competition and by striking voluntary export restraint deals. In Uruguay, ministers decided to revamp Gatt, to extend its rules to textiles and clothing and to apply Gatt principles to trade in agricultural produce, services and intellectual property rights.

Now, at the end of their four-year slog, negotiators will return to trade ministers in Brussels next week in chagrin. *They have done no deal on agriculture* and been thwarted over services; even in Gatt's classic tariff-cutting area they are offering far less than the 33 per cent overall target which ministers had set.

Several draft agreements will be put to ministers: some call for fairly easy choices but not one of the 15 negotiating groups will table the text of an accord that it knows for sure will pass on a ministerial nod.

In part, this is due to the linkages governments have made between the different issues. The US makes everything conditional on a farm deal. *Australia will not budge* on industrial subsidies before it is sure it will secure better openings for the farm produce which makes up 40 per cent of its export earnings. Developing countries will not swallow an accord on intellectual property rights before they see pacts on textiles and clothing and on improved access for their exports to industrialised countries.

Disarray is such that there is no certainty that even a minimal, face-saving package of results will transpire from the Brussels meeting. US officials insist that without a satisfactory deal on farm reform the entire Uruguay Round will be in jeopardy. EC officials say *they cannot see how other* agreements can be finalised, if no solutions emerge on agriculture and services.

This unhappy situation is not the fault of the negotiators. The blame lies primarily with European Community and US governments whose leaders declared in July at the Houston summit of the Group of Seven industrial powers that the trade negotiations had "the highest priority on the international economic agenda" and that each would make reductions in support and protection of agriculture "covering internal regimes, market access and export subsidies".

The leaders have so far not delivered. EC farm and trade ministers bickered for five weeks before they gave birth to a farm proposal that was quickly dismissed by the US, by 13 farm-exporting nations in the Cairns Group, led by Australia, and by most developing countries as not even offering *a basis for negotiation.*

The blame lies primarily with the EC and US. So far the leaders have failed to deliver

Germany and France had combined to whittle back the minimal offer proposed by Mr Ray MacSharry, EC farm commissioner. German Chancellor Helmut Kohl would not risk losing the farmers' votes in the election on December 2. With his farmers rioting and preventing him from travelling on his own highways, President François Mitterrand of France held firm against reducing export subsidies or abandoning preferential access to EC markets.

There will be no agreement on agriculture, if the EC does *not improve its offer* next week. Optimists, or cynics, believe the improvement will come after the German election on Sunday.

In services the sinner is the US, which with an active financial services lobby had worked most energetically for liberalisation and for bringing trade in services under Gatt rules. Now, under pressure from its shipping, aviation and basic telecommunication industries which oppose change, the US has backed off; it wants these service sectors to be excluded from having to apply Gatt's non-discrimination rule.

There is tremendous irony in the situation. In the first three years of the Round the main *obstacles to a successful out*come were expected to come from the developing countries which had even objected to having services and intellectual property rights on the agenda. Now, when developing countries want a deal on services and have *contributed* to a draft agreement on intellectual property, the results depend on the ability of US and EC governments to marshal the political nerve to face down domestic protectionist lobbies.

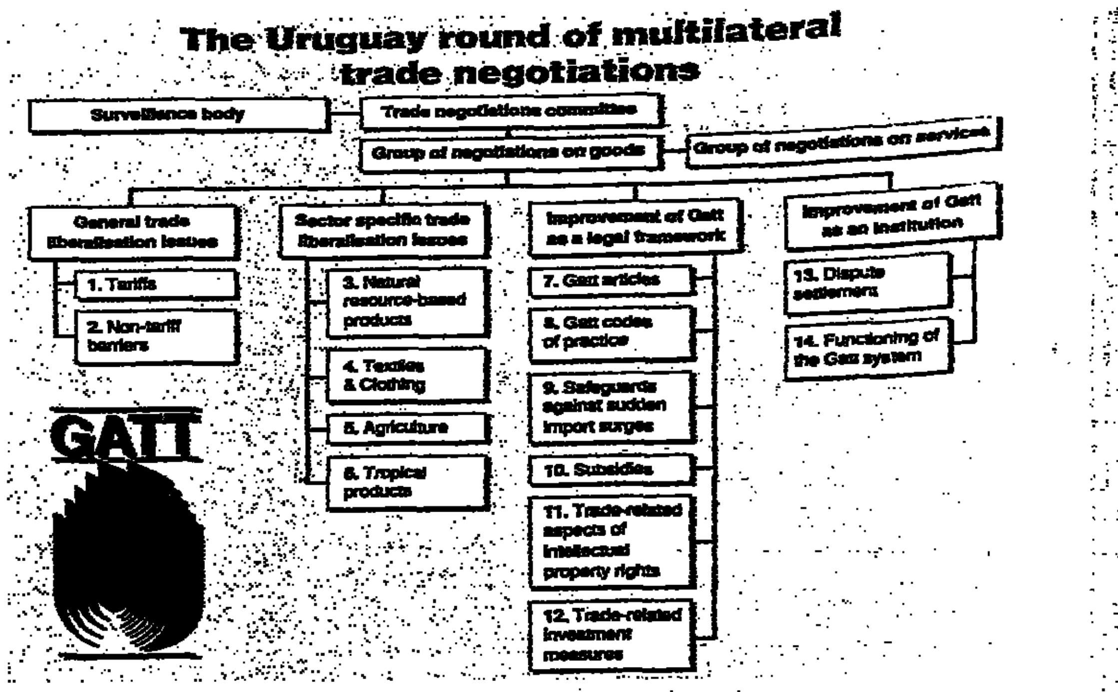
Much is at stake next week in Brussels for private entrepreneurs.

Under the umbrella of the Round a dozen big trading powers, including the EC, the US and Japan, have been negotiating further liberalisation of Gatt's code on government procurement. Here the EC, riding on the back of its internal dismantling of barriers for its single market, has taken the lead. It is seeking to open to full international competition telecommunication, construction and public procurement markets below central government level with a potential annual value of $1,750bn (£892.8bn).

Recently, as the malaise crept into the Round through the agriculture and services windows, the talks on public procurement have faltered as well.

President George Bush, President Mitterrand and Chancellor Kohl will have a lot to answer for, if they let the Round expire with a whimper next week.

William Dullforce



● Services

American zeal has evaporated

NEGOTIATIONS on liberalising trade in services are still deadlocked as a result of the US determination to preserve unilateral rights to force open foreign markets in sectors such as banking, telecommunications and insurance.

The removal of barriers to trade in services, worth some $700bn (£357bn) a year, have long been seen as the centrepiece of Uruguay Round efforts *to modernise the trading system.*

But the original crusading zeal of the US has evaporated in the wake of objections from powerful lobby groups, particularly in transportation and telecommunications. They fear that an agreement would yield almost nothing in terms of fresh market opportunities while leaving US industries exposed to foreign competition.

The hope is to reach an agreement in Brussels on basic rules for service sector liberalisation. This would be accompanied by a number of annexes dealing with the implications for specific sectors, and pave the way for further negotiation next year so that an agreement could take effect from 1992.

However the US has thrown a late spanner in the works by insisting that signatories to the agreement *should not enjoy* automatic rights to non-discriminatory treatment, otherwise known as Most Favoured Nation status. This would be granted only if they open up their own service markets.

This proposal has been roundly rejected by other countries in the negotiation which argue that it would give the US carte blanche to choose who should receive the benefits.

Negotiators have also failed to agree on the text of the annexe covering financial services, one of the most important sectors.

Developing countries regarded the proposals put forward by the US, EC and Japan as too onerous in terms of the liberalisation obligations.

A failure on services would not be quite as serious as a failure on agriculture but it could *still compromise* the entire four-year talks.

Some progress has been made in talks designed to improve enforcement of intellectual property rights such as patent and copyright law. But a basic north-south divide remains over the extent to which Gatt should have responsibilities in this area.

Developing countries have argued that the World Intellectual Property Organisation was the appropriate body for setting rules and standards for enforcement of patents, copyright and design. They think Gatt should play a junior role. However, industrial countries led by the US regard WIPO as ineffectual. This will have to be resolved.

A north-south divide also dogs the talks about trade-related investment. These are an *attempt to curb the imposition* by developing countries of regulations – such as mandatory export requirements – which limit the freedoms of multinational investors. The EC, US and Japan want such regulations prohibited, but developing countries, backed by Australia, say that outright prohibition is going too far.

Peter Montagnon

● Textiles

Decisions remain on blueprint

THE Brussels meeting must take far-reaching and difficult decisions on the $180bn (£92bn) annual trade in textiles, if this part of the agenda is to be completed successfully.

Mr Lindsay Duthie, the Australian diplomat who chairs the textile negotiating group, has produced a blueprint for unwinding the Multifibre Arrangement (MFA) which governs trade in textiles and clothing and bringing this trade under normal Gatt rules.

However, almost all the details, *including the length of* the transitional arrangements, remain undecided.

It provides for clothing and textile trade to be brought into Gatt in three separate chunks beginning in 1992. Items that remained under the MFA at *the end of each stage* would be subject to increasing quotas.

Wide differences remain about the amount of trade which should be liberalised at *each stage* and over *the rate of* growth of the remaining quotas. Ministers will also have to decide how long the transition should last. At one extreme the European Community has been pressing for a period of 15 years, while at the other extreme developing countries are seeking a period of 6½ years.

Assuming agreement is reached, it will not be necessary to renegotiate the current MFA which expires in July 1991. The present arrangements would simply be rolled over until the start of 1992.

Though the US has effectively abandoned its controversial proposal to replace the MFA with a system of global quotas, the Bush administration still faces strong opposition to liberalisation and has been reluctant to agree to *significant cuts in its high tariffs.*

The European textile and clothing industry says it has also been disappointed by the lack of willingness of developing countries *to open their own* markets. It remains concerned about the disciplines which will be applied to the textile trade during the transition.

On tariffs, offers of reductions to be decided in Brussels, supposedly a centrepiece of the Uruguay Round, fall well short of the targeted 33 per cent, trade officials say.

One reason for this is the impasse over talks on farm reform which has made some countries unwilling to make *concessions* in the industrial area.

The US has also been anxious to retain high tariffs on certain products such as textiles and steel, preferring *to* concentrate on offering reciprocal elimination on all tariffs for selected items.

Peter Montagnon

● Rules revision

Reinforcing Gatt's powers

ONE OF the primary goals of the Uruguay Round has been to reinforce Gatt. A cluster of negotiating groups have worked at improving its rules, adding to its capacity to mediate in disputes and enhancing its international role.

The results make up a mixed bag although some potentially important accords could be finalised in Brussels, provided ministers settle such central outstanding issues as agriculture and services.

An attempt to revise the anti-dumping code has run into the sand. Negotiators failed to strike a trade-off between, on the one hand, the demands from Japan and other Asian exporters *for stricter* rules to determine dumping and restrict anti-dumping measures and, on the other hand, US and EC insistence that importing countries be allowed more scope to act against companies circumventing anti-dumping duties.

A draft agreement exists on the related matter of clearer rules of origin for products and services.

With the right will, ministers could dispose of outstanding points such as whether the rules should apply to trade conducted under preferential agreements.

Developing countries have refused to discuss modifica*tions to their right to* discard Gatt rules when they run into difficulties with their balance of payments, until they see what counter-balancing advantages they can expect to win from the Round.

An agreement tightening the rules under which governments can introduce safeguard measures to protect industries against surges of imports hinges on whether the EC will continue to insist that safeguards can be applied selectively against offenders. Other *countries think Gatt's non-dis*crimination rule should be observed.

Understanding on safeguards would help significantly to get rid of "grey area" measures such as the voluntary export restraint arrangements to which governments have been increasingly resorting in violation of Gatt principles.

So would revision of Gatt rules on subsidies and countervailing duties but in this instance a hardening in US determination to do away with industrial subsidies has balked agreement.

Basically, the US wants no subsidies included in the "green" or permitted category. Some political decisions and a settlement in agriculture are needed, if the draft accord is to be completed in Brussels.

Ministers should decide fairly easily on significant improvements to Gatt's dispute settlement mechanism. They have to choose among a few options in a draft agreement that simplifies procedures for establishing dispute panels and adopting *their reports and* establishes an appeals body.

Enhancement of Gatt's powers to survey national trade policies has been agreed. Reinforcing Gatt as an institution hangs on results in other areas, such as services and intellectual property rights, while the controversy over endowing Gatt with a management board, composed of a limited number of ministers, remains unresolved.

William Dullforce

● Spotlight on Brussels

Delegates on alert for the muck-spreaders

AS unofficial capital of the EC Brussels is well used to staging big events – but next week's Gatt summit will test the Belgian capital's organisational powers to the limit.

The scale of the operation is huge, with the 105 participating countries in the Uruguay Round planning to send between 1,500 and 2,000 official delegates, more than 1,000 accredited journalists and an unspecified number of interested "hangers on" (businessmen and lobbyists more politely known as the "private sector tail").

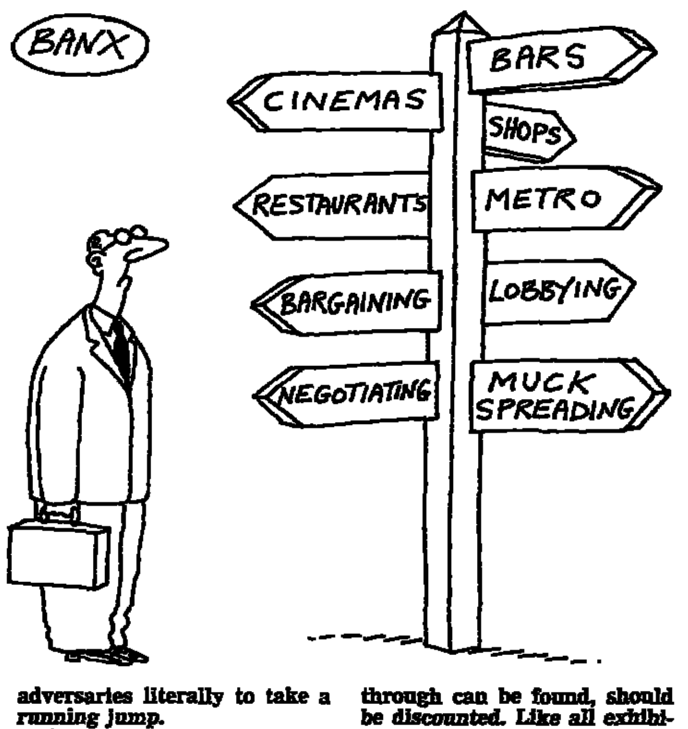
All or most of these will on Monday descend on the vast Heysel exhibition centre, which this week was still being adapted to the needs of *the international trade circus.*

Directly north of the city centre just inside the motorway ring, the Heysel centre is overlooked by the national football stadium and by the Atomium, the atom-shaped steel edifice built as the centrepiece for the 1958 World Fair. It will be a suitably symbolic backdrop for the explosive reactions which can be guaranteed in the event of success or failure of the talks.

Severe traffic disruption is inevitable – especially if the threatened demonstration by 50,000 farmers complete with muck-spreaders materialises – and delegates may be advised to forgo their well-appointed limos for the city's clean and generally efficient metro system (there is a stop near the conference centre).

Once inside the five and a half pavilion complex, the joint Belgian and European Community hosts hope everything will be provided for. Shops, restaurants and bars *will kill time for those not* involved in the nitty-gritty of negotiations, though film buffs may be tempted to visit Europe's biggest cinema com*plex nearby.*

Delegates will have a large chamber for their plenary sessions but there are smaller rooms (including the famous "green" rooms) where the hard bargaining will be done in more restricted groups. An artificial river running through the conference centre is likely to add sparkle to the occasion, and the opportunity for participants to tell their adversaries literally to take a *running jump.*



Hotel accommodation is reported to be full up – many rooms have been booked since last year – so anyone contemplating a last-minute business trip to Brussels should probably think again.

Suggestions that next Friday's deadline for the end of the talks will be missed and that the whole entourage will stay in Brussels until a breakthrough can be found, should *be discounted. Like all exhibi*tion centres the Heysel is needed for other purposes and the Gatt structures must be dismantled in time for the Belgian motor show in early January. "We could just about stay on until next Saturday (December 8) – but that's definitely the outside," a Gatt official confided.

Tim Dickson

● Agriculture

US may have set the bar too high on farm reform

A COMPROMISE on agriculture is the most essential and the hardest task facing trade and farm ministers in Brussels. Compromise can be achieved only if European and US leaders find the courage to authorise concessions that will provoke loud, perhaps unruly, political opposition from their farmers.

Mr Julius Katz, deputy US trade representative, complained last month that in four years "we have not yet had one serious day of negotiations on agriculture". Ministers now have one week in which to pull off an agreement.

A common objective has been declared – *to effect "substantial, pro*gressive reductions" in agricultural supports, totalling more than $200bn (£102bn) a year worldwide, which are blatantly distorting trade in farm produce and penalising farm-exporting countries such as the 14 members of the Cairns Group that cannot afford to subsidise their farmers.

But after four years the European Community and the US, the two biggest farm trading blocs and the two biggest subsidisers, have not been able to agree even on the basic principles to be followed in making the reductions.

The US is asking that cuts of 90 per cent in export subsidies and of 75 per cent in internal farm supports and border protection be effected over 10 years starting in 1991-92. Washington is backed by 13 members of the Cairns Group: Argentina, Australia, Brazil, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

The EC has offered to reduce internal *supports for the main commodities by* 30 per cent from 1986 to 1996. The offer contains no precise commitment on export subsidies. Reductions in import barriers are not quantified, would maintain EC members' preferential access to the EC market and would be complemented by a "rebalancing" concept allowing Brussels to impose new tariff quotas on imports of oilseeds and corn gluten feeds to the detriment of Brazilian and US exporters.

Ministers cannot reach the needed compromise merely by juggling with the numbers. They must first bridge the wide gap between the basic political premises guiding the EC and US.

Originally, the US administration promised its farmers and commodity traders the elimination of all trade-distorting supports worldwide, to provide a "level playing ground" – a political commitment which the Europeans have claimed to be unrealistic. Washington has modified its objective but still insists that the EC undertake specific *commitments to radical cuts in each of* the three areas: internal supports, border protection and export subsidies.

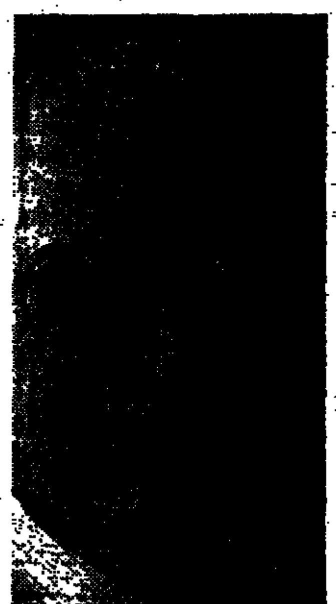
Brussels has responded defensively to the US and Cairns Group's root-and-branchapproach, which it sees as aimed at wrecking the Common Agricultural Policy, the economic and social core of the Community. Accordingly, the EC's reform proposal circumvents the US/Cairns approach and retains basic elements of the CAP, including the dual pricing system, which protect EC farmers from competition.

The impasse over agriculture reflects the fundamental difference in policies underlying the declared common objective of "substantial progressive reductions". Compromise is only possible if policies are amended.

The Americans will have to accept that they have set the bar too *high* for this initial effort at reforming farm trade. But there is no doubt that the strongest pressure is on the EC.

Somehow, the Europeans have to *come up with an offer that will* convince their opponents that they are ready to embark on a revamping of the CAP based on liberal rather than protectionist policies. It is difficult to see how they can do this without offering something more specific on export subsidies and market access and without abandoning their rebalancing concept.

William Dullforce



Julius Katz: 'we have not yet had one serious day of negotiations'

Price of failure: trade wars in a world of lost opportunities

THE WORLD'S trading nations knew that they were taking a gamble when they launched the Uruguay Round in 1986.

Public support for multilat*eral* rules on trade was eroding, particularly in the US where Japan-bashing had become all the rage. The answer of the General Agreement on Tariffs and Trade was to launch a Round more ambitious than ever before. If it worked, support for the multilateral system that had served the world economy well for *nearly 40 years could be rekin*dled. Gatt could be swept to a new pinnacle of world economic influence.

Now, however, Gatt is in danger of falling victim to its own ambitions as the sweeping agenda set four years ago proves impossible to complete. Failure at its Brussels meeting next week to resolve the bitter transatlantic row over farm subsidies would almost certainly condemn the whole effort to collapse.

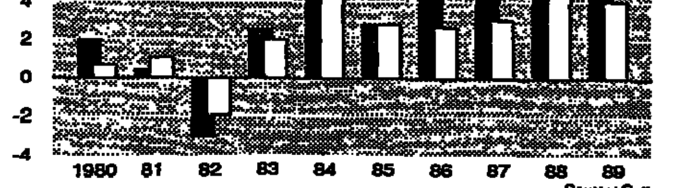
The air has become thick with warnings of calamity.

Some, such as Mr John Crosbie, Canada's trade minister, have even warned of a return to the depression days of the *1930s. Few economists would* predict disaster on that scale if the Round does fail, but most accept that economic output in the 1990s would be significantly lower than otherwise. International tensions would rise, spilling out of the purely commercial arena into the broader diplomatic realm.

It is unlikely that failure in Brussels would lead governments to repudiate the agreements to which they have already subscribed in Gatt. The institution with its complex code of rules for the trading system would survive. The primary loss would be the benefits from further liberalisation – notably in agriculture, textiles and services – which would have accrued if the Round had been a success.

Volume of world trade and output

Average annual % change



The extent of this opportunity loss is almost impossible to calculate, though Mrs Carla Hills, US trade representative, has suggested that just an agreement to cut tariffs and non-tariff barriers by the targeted 33 per cent would produce an extra $4,000bn (£2,040bn) in world economic output over the next 10 years.

More worrying still is the risk that failure would further deprive Gatt of authority and stature. Governments would feel tempted to enter bilateral agreements outside Gatt, reducing its ability to resist the pressure towards fragmentation of the trading system that provided the original motivation for the Round.

The *most often-cited result* would be the development of regional trading blocs embodying preferential arrangements between exclusive groups of countries. This would hamper global trade flows and could freeze developing countries out of mainstream trade.

● Prospects

Already the US has begun to consider complementing its free trade arrangement with Canada with a similar deal for Mexico. Closer links between the European Community and the six countries of the European Free Trade Association could form the basis of a European regional bloc, though it is harder to conceive of a similar arrangement emerging in the Pacific.

The system could also fragment in other ways. A failed round would almost certainly prompt the US to step up its unilateral approach to trade policy, using the *right to sanc*tions embodied in its trade legislation. Trade wars would proliferate, particularly in agriculture.

The EC would continue to have a pretty free hand in the use of anti-dumping as an instrument of domestic regional and industrial policy. The ability of the Bush administration to restrain hostility to Japan in Congress would be seriously impaired. Trade in some individual products could become managed on a global basis.

One such product is semiconductors: the US and Japan already have an agreement designed to raise prices on *exports to the US* and open up the Japanese market to US producers. This agreement, aspects of which were found to be Gatt-illegal, expires next year. After a Uruguay Round failure, there would be less incentive to allow it to lapse.

Failure could also mean that the focus of international policy discussion switches away *from Gatt. Waiting in the* wings is the Paris-based Organisation for Economic Co-operation and Development. The OECD has begun to seek closer contacts with the more advanced developing countries such as South Korea, and there is support in the US for it to play a more prominent role in the new areas of commercial policy.

One example is trade-related investment, which is linked to both domestic industrial and competition policy. Efforts to give enhanced legal status to the OECD's "national treatment instrument" which obliges members to treat foreign direct investors on an equal footing with their own companies failed in the summer. However, there has already been talk of reviving the attempt.

Most of these pressures will remain even if the Round is successful, but a Gatt strengthened by a successful Uruguay Round would have the wherewithal to combat them. Failure, by contrast, would make the institution a lame duck.

Peter Montagnon

INTERNATIONAL NEWS

Kaunda takes reluctant road towards democracy

Mike Hall on Zambia's move from one-party rule

"THERE'S no chance he will make a comeback, no chance," says a bank clerk. Everyone else on the Lusaka street corner agrees. "One way or the other he has to go," another adds.

In October, President Kenneth Kaunda launched his United National Independence Party's (Unip) campaign to win support for the 1991 multi-party elections. His deeply unpopular party faces a formidable task. Even Unip officials privately admit it, and many believe their party will lose.

Unip leaders, addressing rallies in Lusaka, have attracted only a few thousand people, whereas the Movement for Multiparty Democracy (MMD), which intends to form an opposition party as soon as the law is changed, attracted crowds at least 10 times larger.

Mr Kaunda's decision to allow multi-party elections, the first since Zambia became a one-party state in 1973, was made with evident reluctance. He appears determined to stay in power, dismissing both criticism and his opponents with a loftiness born of 26 years in power.

Mr Kaunda clearly wants to control change, although his remarkable turn-about in the past few months suggests he is aware of the likely consequences of resisting the popular will – civil unrest or, worse, violent overthrow.

The MMD has shown surprising restraint – their rallies have been remarkably peaceful – although there are those in the movement who want to pursue a more aggressive strategy to oust Mr Kaunda through civil disobedience.

The movement's leaders are wary of playing into Unip's hands. Mr Kaunda has warned that pluralism will bring chaos and bloodshed, so the MMD does not want to give him a reason to crackdown on opposition. But if Unip insists on dictating a new political set-up unacceptable to the opposition, or frustrates its efforts to organise and campaign, an angry reaction seems inevitable.

A commission appointed by Mr Kaunda has begun work on drafting a new constitution. Its

Kenneth Kaunda: reluctant to allow multi-party elections

task to draft a a document acceptable across the political spectrum is not going to be easy.

The MMD rejected the appointment to the commission of two of its members, including Mr Arthur Wina, the chairman. The labour movement, the church and the law association have also distanced themselves from the commission's work.

The MMD is drafting its own proposals which are likely to be very different from Mr Kaunda's. A key disagreement is over the presidency and cabinet. Mr Kaunda wants to retain presidential elections with the president appointing cabinet ministers who would not be allowed to serve as MPs at the same time. There would also be a presidential advisory council.

The MMD argues that there should be parliamentary elections. The winning party would then appoint a president, thereby discouraging a personality cult.

Under MMD proposals, all cabinet ministers should be MPs and their appointment would be ratified by parliamentary committees.

Another proposal of Mr Kaunda's is that the president has the right of veto over defence, security and foreign affairs which the MMD rejects as almost any policy could be seen as impinging on these areas. Mr Kaunda's proposals suggest that he is confident of winning the presidential elections, but thinks Unip will lose the parliamentary poll.

If this happened, he would still retain considerable powers and be able to appoint loyalists to key jobs. It is unlikely that the MMD would allow this.

A constitutional amendment bill to allow the formation of opposition parties is likely to be enacted within the next few weeks and the MMD, which has already drafted a manifesto, is planning its first convention for mid-December.

Campaigning will be tough. The state-run media, for example, is heavily biased in Unip's favour. In the recent budget, the party allocated itself grants worth $20m from public funds – other parties will have to raise their own cash.

"We do not under-estimate the task before us," says Mr Vernon Mwaanga, former foreign minister and MMD spokesman.

"But we believe the majority of Zambians are desperate for change and we offer a credible alternative."

The MMD, like any political party, will have among its number opportunists and others with questionable motives. It also has a number of one-time prominent Unip politicians with dubious credentials as members.

But it can also boast a large number of committed, well-educated and experienced Zambians with a vision of a genuinely democratic system of government they believe is necessary to solve the country's economic crisis.

Many look to Mr Frederick Chiluba, the popular trade union leader whose record is untainted by association with Unip, to lead the new party and hope he has the ability to ensure it remains united in the run-up to the elections.

The next few months will be among the most important in Zambia's history.

The country become a rare example in Africa of peaceful change. However, much depends on Mr Kaunda and his Unip loyalists who have so shown few signs of being willing to accept, let alone respect, the opposition.

Kenya unveils sharp cuts in public spending

KENYA yesterday announced big public spending cuts aimed at bolstering an economy hit by the Gulf crisis and under pressure from *foreign donors* to speed up reforms, Reuter reports from Nairobi.

The measures included sharp cuts in the budgets of government ministries and state enterprises and a freeze on hiring. The Finance Ministry aims to cut recruitment by 40 per cent and government expenditure by 15 per cent overall. The measures come into effect immediately.

Cutting the number of authorised new posts from 27,573 to 10,481 would save Ks314.4m ($13.6m) it said. Other measures would save a further Ks300m.

The move followed talks between Kenya, one of Africa's most successful economies, and donor countries in Paris last week on replenishing foreign aid worth $1bn 1990.

Creditors this year toughened their demands for political change, and some hinted that they might cut funding after riots in July left at least 20 dead and tarnished Kenya's image as one of the continent's most stable countries.

President Daniel arap Moi has rejected calls for multi-party politics, accused foreign governments of interference and stepped up his crackdown on opponents.

Although donors pledged broadly the same nominal amount of aid for 1991, economic analysts said this could translate into a sizeable real cut at a time when Kenya's needs are increasing because of higher oil prices caused by the Gulf crisis.

Amnesty probes allegations

By Michael Holman, Africa Editor

AMNESTY International has called on the Kenyan government to investigate allegations of torture and ill-treatment of political prisoners.

"Hundreds of government critics have been arrested in Kenya since July 1990 in a crack-down which began after President Daniel arap Moi rejected calls for a multi-party system," the London-based organisation which monitors human rights said in a report issued yesterday.

Many of those arrested have been released, said Amnesty, but the report lists three critics detained without charge, including Mr Kenneth Matiba, a businessman, and four who are awaiting trial for sedition. Among them is Mr George Anyona, a former MP, who has accused the authorities of keeping him and other prisoners in cells filled with water.

At least 20 more people, some currently free on bail, await trial on charges such as possession of "seditious" or prohibited publications.

Mitterrand in Chad talks

PRESIDENT François Mitterrand of France conferred yesterday with senior cabinet ministers about the escalating rebellion in Chad, a former French colony which has a military co-operation pact with Paris, AP reports from Paris.

Chad claims the rebels are backed by Libya, and has criticised French officials for asserting that the war which broke out on November 10 is an internal conflict between two Chadian forces.

Mr Mitterrand's spokesman, Mr Hubert Vedrine, declined to give any details about yesterday's meeting, except to say it involved Mr Michel Rocard, the prime minister, Mr Roland Dumas, the foreign minister, Mr Jean-Pierre Chevenement, the defence minister and Mr Jacques Pelletier, co-operation minister. The Foreign Ministry said on Tuesday that France had no intention of intervening in the conflict between President Hissene Habre's troops and rebels led by former Habre adviser Mr Idriss Deby.

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● THE MIDDLE EAST

Baghdad spurns UN pressure to withdraw

By Our Foreign Staff

IRAQ insisted yesterday it would ignore any ultimatum to withdraw its forces from Kuwait and warned that the US was risking a "comprehensive and destructive war" unless it opened a dialogue with Baghdad.

The Iraqi government's defiant statement came on the eve of today's meeting of the UN Security Council, which is expected to approve a resolution authorising the use of force against Iraq unless it quits Kuwait.

Mr Roland Dumas, the French foreign minister, yesterday warned that the UN resolution would be Iraq's last chance to avoid war. He said it would be the "last appeal and indeed an ultimatum."

However, Iraq's government newspaper al-Thawra said any decision reached by the Council "is of no concern to us. It will not force us to step back or relinquish our national historical rights."

Mr Taha Yassin Ramadan, Iraq's deputy premier, meanwhile attacked President George Bush, saying he was "leading the world to a comprehensive, destructive war and... should move towards dialogue to avert the tragedies of war and achieve a comprehensive peace."

However, 11 members of the 15-nation Security Council yesterday looked certain to back a US-sponsored ultimatum resolution which would allow "all necessary means" to be used to secure Iraqi withdrawal from the emirate.

Qian Qichen, the Chinese foreign minister, yesterday indicated that China would abstain in the vote. The other four permanent members of the Council have said they will vote for the resolution.

No agreed deadline for withdrawal had been announced by the Council last night, but US, Soviet and French diplomats in New York indicated that it was likely to be January 15.

Baghdad, meanwhile, allowed a further batch of western hostages to return home yesterday and promised the Soviet Union that some 3,000 remaining Soviet citizens could leave on the expiry of their contracts in Iraq.

The promise, made by an Iraqi foreign ministry spokesman, followed a toughening of the Soviet stance towards Iraq after acrimonious talks between Mr Mikhail Gorbachev, the Soviet leader, and Mr Tariq Aziz, the Iraqi foreign minister, earlier this week.

Iraq yesterday freed 70 Italian hostages and was reported to have agreed to the release of the 30 remaining Belgians in the country, following a humanitarian request from Algeria.

Mr Tony Benn, the British Labour MP, also emerged from talks with Mr Saddam Hussein, the Iraqi president, saying he hoped more British hostages would soon be freed.

Qian Qichen, China's foreign minister, yesterday at Peking airport on his way to New York.

Iran re-emerges as growing market for UK exports

By Victor Mallet, Middle East Correspondent

IRAQ'S invasion of Kuwait has been a setback for joint venture projects on the Arab side of the Gulf, but Iran is re-emerging as a significant market for UK exports, according to a report* by the Committee for Middle East Trade (Comet).

British exports of £271.2m to Iran for the first nine months of 1990 have already surpassed the 1989 total of £257m, Comet says, noting that Iran's population of 55m is more than double that of the six Gulf Co-operation Council states combined.

"Improved relations on the diplomatic front must augur well for further advances of trade with a country that in spite of upheaval has maintained what many see as an exemplary payments record and which has little or no long-term debt."

Diplomatic links between London and Tehran were restored in September, but several obstacles need to be overcome if Britain is to compete effectively against rivals such as West Germany and Japan.

Comet says there are only 45 British citizens resident in Iran, compared with several thousand in the 1970s, while trade is further restricted by the absence of medium and long-term finance for contractors; the Export Credits Guarantee Department charges a premium of 8 per cent on trade with Iran and allows cover only up to 360 days.

The report concludes that the Gulf crisis will probably delay a number of joint venture projects due to start in 1991 in the GCC states, with construction and engineering work most vulnerable to an extended period of uncertainty because of their long lead times.

Not all the signs are gloomy, however. Higher oil prices are bolstering Gulf economies, and the presence of some 350,000 Kuwaiti refugees and thousands of foreign troops in Saudi Arabia has created a commercial mini-boom in some sectors in the Eastern Province.

* *The Gulf – British Business at Risk: Crisis or Opportunity. Comet, 33 Bury St, London SW1Y 6AX. £35.*

Democrats urge Bush to take cautious line

By Peter Riddell, US Editor in Washington

LEADING US Democrats and former service chiefs have urged caution on President Bush over armed action to force Iraq out of Kuwait.

A prominent House Democrat, Congressman Lee Hamilton, has urged the president to send a special envoy to Baghdad to make clear US intentions, though not to undertake negotiations until Iraq had withdrawn from Kuwait.

Mr Hamilton said that Americans had become "confused" by differing descriptions which Mr Bush has given to US aims in the crisis and it was "logical to assume" that Saddam Hussein may have similar uncertainties.

Similarly, Congressman Richard Gephardt, the House majority leader, has urged a policy of staying the course and sticking with sanctions.

Admiral William Crowe and General David Jones, former chairmen of the joint chiefs of staff, told senators all peaceful means of getting Iraq out of Kuwait must be exhausted before using military force.

Israel raises taxes to pay for Soviet immigration

By Judith Maltz in Jerusalem

ISRAEL'S cabinet voted yesterday for tax increases to pay for the cost of absorbing a huge influx of Soviet immigrants.

The cabinet approved a Shk 76.7bn ($38.5bn) budget for 1991, including a 5 per cent surcharge on income tax payments from January for three years and an increase in value added tax on all goods and services from 16 to 18 per cent. The two measures are expected to increase government revenues by Shk 2bn.

The cabinet also agreed to cut cash allocations and other benefits to new immigrants, reduce child allowances and implement a 2 per cent across-the-board cut in spending by ministries, except defence.

Mr Yitzhak Modai, the finance minister, had sought to cut defence spending by Shk 200m, but Mr Moshe Arens, the defence minister, rejected this, demanding an increase of Shk 1.5bn, mainly because of the Gulf crisis. Under the compromise deal reached between the two ministers, the defence ministry will receive a Shk 380m increase in its Shk 12bn budget next year.

After taking into account the approved tax increases and spending cuts, the budget deficit amounts to Shk 9.5bn.

Both the treasury and the Bank of Israel maintain that a deficit of this size is tolerable during a period of huge immigration, so long as most of the increased spending is on investments and not consumption. Any increase in the deficit above this level, *however, in their view, could* rekindle inflation and put pressure on interest rates, thereby discouraging new investments.

The 1991 budget is almost Shk 13bn larger than the current *fiscal year budget,* with most of the increase reflecting spending on housing, education, and job-creation for Soviet immigrants. The budget assumes that 300,000 Soviet immigrants will arrive next year.

The budget must now be endorsed by parliament.

Liberian factions agree ceasefire at Mali peace talks

LIBERIA'S three warring factions agreed on a ceasefire yesterday, boosting prospects for an end to an 11-month civil war that has claimed more than 10,000 lives, mostly civilians, AP reports from Bamako, Mali.

The accord was signed at a meeting in Mali's capital, Bamako, attended by leaders of 13 west African countries convened to seek a settlement in Liberia. Signing the agreement were Mr Charles Taylor, head of the main rebel faction, Mr Prince Johnson, leader of a breakaway rebel force, and Major Wilmot Diggs of the Liberian army, representing the followers of slain President Samuel Doe.

The talks that led to the accord marked the first time that all three sides had met face-to-face for negotiations to resolve the conflict. Mr Taylor had refused to attend previous peace talks.

Mr Taylor began the uprising by invading Liberia from the Ivory Coast last December. He has declared himself president and says his forces control most of the country.

Also at the conference was veteran opposition politician Amos Sawyer, installed as Liberian president with the backing of an 8,000-strong West African peace-keeping force.

The force contains soldiers from Nigeria, Ghana, Guinea, Gambia and Sierra Leone. All those countries' leaders were at the conference except Guinea, which sent a cabinet minister.

About half of Liberia's 2.3m people are refugees.

Boat people repatriation delayed

THE first batch of boat people due to be sent back to Vietnam from Hong Kong under a new "non voluntary" repatriation scheme has had to be postponed, Angus Foster writes from Hong Kong.

The delay is a setback to the Hong Kong government which had hoped the scheme would *encourage more boat people to* come forward under an existing voluntary repatriation programme.

The United Nations High Commission for Refugees (UNHCR), which monitors all repatriations, identified more than 100 boat people it hoped to repatriate under a category of people who, while they do not volunteer for repatriation, do not actively oppose it either.

But with the first flight due to leave *today*, nearly all the boat people have dropped out. The remaining 25 will now be sent back this weekend with a group of voluntary returnees.

All the boat people being sent back to Vietnam under both the voluntary and non voluntary schemes have already been "screened out" as economic migrants rather than genuine refugees.

Hong Kong wants to lift the number of returnees to its target of 1,000 a month. Under the voluntary scheme, about 400 have been sent back each month since February.

India gives go-ahead to A-320 flights

THE new Indian government of Prime Minister Chandra Shekhar yesterday said Indian Airlines' fleet of Airbus A-320s would be brought back into service on domestic routes, David Housego reports from New Delhi.

The domestic carrier's 18 Airbus A-320 have been grounded for almost nine months following the crash of an A-320 at Bangalore.

The announcement reverses the refusal of former Prime Minister V.P. Singh to allow the A-320 to fly on domestic routes until the commission of inquiry into the accident had made its report.

The report is expected to be released shortly.

Mr Singh's government had also alleged that Airbus Industrie, manufacturers of the Airbus A-320, had paid illegal commissions to the previous government of Mr Rajiv Gandhi to secure the contract. Mr Chandra Shekhar's government is now dependent on Mr Gandhi's Congress party for its survival.

With the change of government, inquiries by the Indian authorities into the payment of commissions are expected to be dropped. Airbus Industrie has always denied the allegations.

Seoul GNP up 9.6%

South Korea's gross national product expanded by a real 9.6 per cent, year on year, in the third quarter, the Bank of Korea said yesterday, John Ridding reports from Seoul.

The growth rate, boosted by a continuing construction boom, a recovery in manufacturing and improved exports, was higher than expected. It means that the central bank's projections of annual GNP growth of between 8.3 and 8.8 per cent are likely to be exceeded.

Japan growth eases

Japan's industrial production index rose 2.5 per cent last month, a smaller increase than predicted, prompting expecta*tions that the economic* growth rate has peaked and will ease until the end of the year, Robert Thomson reports from Tokyo.

The Ministry of International Trade and Industry said the index reached 129.3 at the end of October, compared to the base of 100 in 1985. There were significant increases reported in transport machinery production, and falls on the previous month's level in only the oil and coal products sector.

Kohl Mideast plan

German Chancellor Helmut Kohl has called for a standing conference to resolve disputes in the Middle East possibly modelled on the CSCE conferences which have helped to bring together eastern and western Europe, David Goodhart reports from Bonn.

Ortega mission

Mr Daniel Ortega, the former Nicaraguan president, arrived in Baghdad yesterday for his second meeting in two weeks with Iraq's President Saddam Hussein, Tim Coone reports from Managua.

Since mid-November Mr Ortega has been carrying out a behind-the-scenes negotiating mission in an attempt to find a peaceful solution to the Gulf crisis, carrying messages from several prominent statesmen.

Delhi imposes its rule on Assam as tea crisis worsens

By David Housego in New Delhi

THE *Indian* government yesterday brought the north-eastern state of Assam under direct rule from New Delhi in an effort to curb separatist violence that has badly disrupted tea production from the country's largest tea growing area.

The announcement of president's rule – thus suspending the provincial government and assembly – was accompanied by the outlawing of the separatist United Liberation Front of Assam (ULFA). The extremist group's attempts to extract funds at gunpoint from British and Indian tea groups led Unilever, the Anglo-Dutch group to evacuate 45 senior executives and their families from the Doom Dooma estates in upper Assam earlier this month.

Brooke Bond and Lipton, both Unilever subsidiaries, are also boycotting the tea auctions in Guwahati, the Assamese capital because of the violence – a move that inevitably reduces India's foreign exchange earnings at a time of critical balance of payments difficulties.

Assam accounts for about 65 per cent of India's tea production. It also produces 5.8m tonnes of crude oil a year.

Asom Gana Parishad (AGP), the Assamese regional movement which has been in power in the state for the the last five years, immediately called a 12-hour strike in the state today to protest at the decision.

At the same time the Indian army and para-military forces began widespread combing operations to arrest ULFA militants.

Apart from curbing violence *that has disrupted* both tea and oil production, the decision to impose president's rule is also a way of postponing state assembly elections next month that probably would have been won by the AGP and the extremists. The AGP is a coalition partner in former prime minister V.P. Singh's National Front which Mr Chandra Shekhar helped topple from power.

The governor of Assam and the national political parties *have said that* the widespread violence in the state made free and fair elections impossible. With the AGP government of Chief Minister Prafulla Kumar Mahanta reaching the end of its tenure on January 8, the *last date* for declaring fresh elections was today.

Mr Mahanta yesterday denounced the declaration of president's rule as a "betrayal of democracy" that had been engineered with the backing of the major tea and industrial groups in Assam. He said that he feared it would lead to further violence in the state – adding that direct rule from Delhi had failed to solve the problems of Kashmir and the Punjab.

Lee quits as boom starts to falter

By Joyce Quek in Singapore

LEE KUAN YEW, Singapore's prime minister for 31 years who resigned on Tuesday, leaves his successor one of Asia's most resilient economies which is outperforming forecasts. But there are signs that *the country is nearing the end* of a boom and Mr Goh Chok Tong may have his work cut out for him.

The US economy, Singapore's main customer, is facing recession while Japan, its second largest investor, is experiencing lower growth rates. But, unlike the 1985 recession, when there was no compensating factor to offset weakened US demand, Singapore's economy should be bolstered next year by a buoyant regional market, with 7½ per cent real growth expected in Indonesia, Malaysia and Thailand.

The latest figures indicate that Singapore's gross domestic product is growing by 8.3 per cent this year, above the 6-8 per cent forecast. But the index of leading economic indicators has been declining since February, and slower growth of 3-6 per cent is expected in 1991.

Inflation, which reached 3.4 per cent in the first nine months of this year, could rise to 4 per cent in the final quarter to lift the 1990 average to 3.6-3.7 per cent, although that is still below the 10 per cent forecast for other newly-industrialising economies.

Mr Lee's Singapore is the second least risk economy after Japan, concluded a survey of 10 Asian countries by the Hong Kong office of US-based Political and Economic Risk Consultancy (Perc). The study, based on market size and potential for economic and socio-political change, described Singapore as an Asian country "which really works", with high marks for social and political stability.

However, the consultancy, which advises western companies doing business in Asia, is worried that Singapore's long-running battles with the foreign media are projecting an intolerant image which may intimidate foreign businessmen. *It also* noted that the political transition could pose problems until the new leadership gains public confidence.

International stockbroker Crosby Securities is more upbeat. It believes Singapore and Hong Kong will be hardest hit by a big economic downturn but in the medium term are likely to outperform the more insulated economies. It picks Singapore as the most balanced and resilient economy ahead of Hong Kong, Thailand and Malaysia.

It notes that new and planned investment commitments underpin long-term confidence, even if the short-term outlook is less positive. Singapore's competitive position is keeping the rate of investments at the S$2bn (£595m) mark for the third year running, Gulf crisis and transition of power notwith*standing*.

Singapore's third quarter economic performance did not fully reflect the impact of the Gulf crisis but if the September trade figures and business expectations – both at their *lowest levels since* the 1985 recession – are portents, Mr Goh may have little room for manoeuvre.

Japanese hope to limit the slide in property prices

Officials think real estate is still too dear but don't want to see values plunge, writes Robert Thomson

THE signs of Japan's property slump are clear for all to see. The formerly long queues of eager buyers outside condominium construction sites have disappeared, and the ranks of troubled property companies are growing. Kyowa Corporation, a steel frame builder and, of late, a real estate developer, has just been added to the list.

While Kyowa's failure is seen as the forerunner of others, government officials give the impression that the market fall will be handled in an orderly manner with a minimum of bruising, and that the downturn will not be a plunge.

Kyowa, with outstanding debts of Y150bn (£590m), is the largest failure this year and *apparently the sixth-largest* on record, though its property indulgences are characteristic of many non-property companies which strayed far from core businesses to take advantage of the real estate boom.

The company's problems come as Japanese politicians argue over the introduction of a landholding tax intended to push property prices down by 20 to 30 per cent, figures that appeal to a range of officials, including Mr Yasushi Mieno, the Bank of Japan governor. They agree that prices are too high and that the fall should be "gradual" to ensure damage is limited.

The new consensus on the slump contrasts with the political dispute over the proposed tax. Japanese politicians will still be debating the matter when the real property crunch comes, most probably in March or April, when stocks of unsold apartments will have mounted and cash flow problems could reach a peak.

Yet, there is no sense of panic. Japanese banks will take a severe beating if prices fall suddenly, but there is confidence that they will decline gently, despite the excesses. Property prices doubled over the last five years and, in the area around Osaka, the second-largest city and the most problematic *property market, they* have doubled in the past two years.

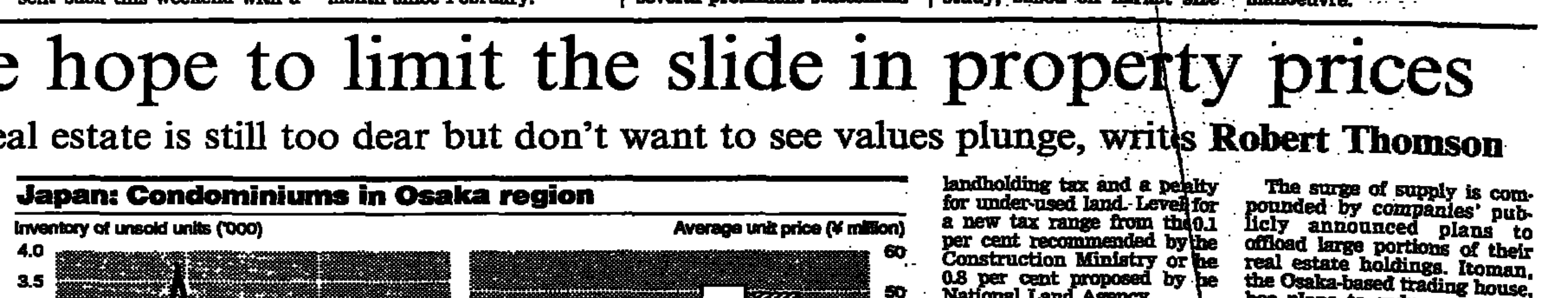
Dr Ken Courtis, of DB Capital Markets Asia, suggests that the "cosy consensus" on a gradual fall is dangerously wrong, and says regional banks will be particularly vulnerable when the crunch comes.

But Mr Makoto Kaimasu, a senior analyst at the Nomura Research Institute, says big property companies see the present softness as a good reason to buy. He does not expect that a listed company will go under, though non-bank financial institutions with heavy property exposure could face *problems*.

The government's desire for lower land prices stemmed from general anger at unaffordable home prices. In 1984 an average apartment cost six times the annual wages of a company employee: it is now close to 10 times.

A sharp rise in interest rates in the past year has made the mathematics even more complex.

Officials at the National Land Agency have argued that prices will fall only if the supply of properties for sale is increased, and so the idea of a landholding tax and a penalty for under-used land. Levels for a new tax range from the 0.1 per cent recommended by the Construction Ministry or the 0.8 per cent proposed by the National Land Agency.



Source: Real Estate Economic Research Institute; Estimates by Swiss Bank Corporation

While the ruling Liberal Democratic party is far from a conclusion on the tax, prices have fallen and the supply of unsold properties is rising.

The trend is most obvious in the condominium market, with developers offering 10 per cent discounts on recently completed projects and a slump in second-hand prices.

The losers so far are small but ambitious property developers, who have been stung by unexpectedly high interest rates this year, and the specu*lators who bought* condominiums around Osaka. Residential prices in Osaka rose by 56 per cent last year, while speculators are estimated to have bought about half the region's newly-completed condominiums.

At the same time, construction companies have been rushing to complete their contracts for new buildings, fearing that a delay could leave them in a slump with a non-paying customer.

Condominium starts were up 65 per cent in September from a year earlier.

The surge of supply is compounded by *companies'* publicly announced plans to offload large portions of their real estate holdings. Itoman, the Osaka-based trading house, has plans to reduce property-related loans by Y700bn (£2,755.9m) over the *next* year, while Maruko, a studio condominium supplier, plans to sell Y20bn in assets to ensure that debts are cleared.

The market is uneven. Golf courses are another problem, as Kyowa found, but *demand* for prime commercial space is strong.

The Tokyo property market has been generally flat for almost three years, while average prices in Osaka this year have surpassed those in the capital for the first time.

Mr Daniel Nielsen, of Swiss Bank Corporation, says "it is very hard to put a fix" on the market. Osaka is obviously more vulnerable than Tokyo, he says, and the weakness in the *more liquid* condominium market is probably a good indicator of general weakness.

Confidence has also been affected by the land tax debate. The only certain outcome in an uncertain property climate is that landholders will be hit by the tax and that the government will not reach a conclusion quickly.

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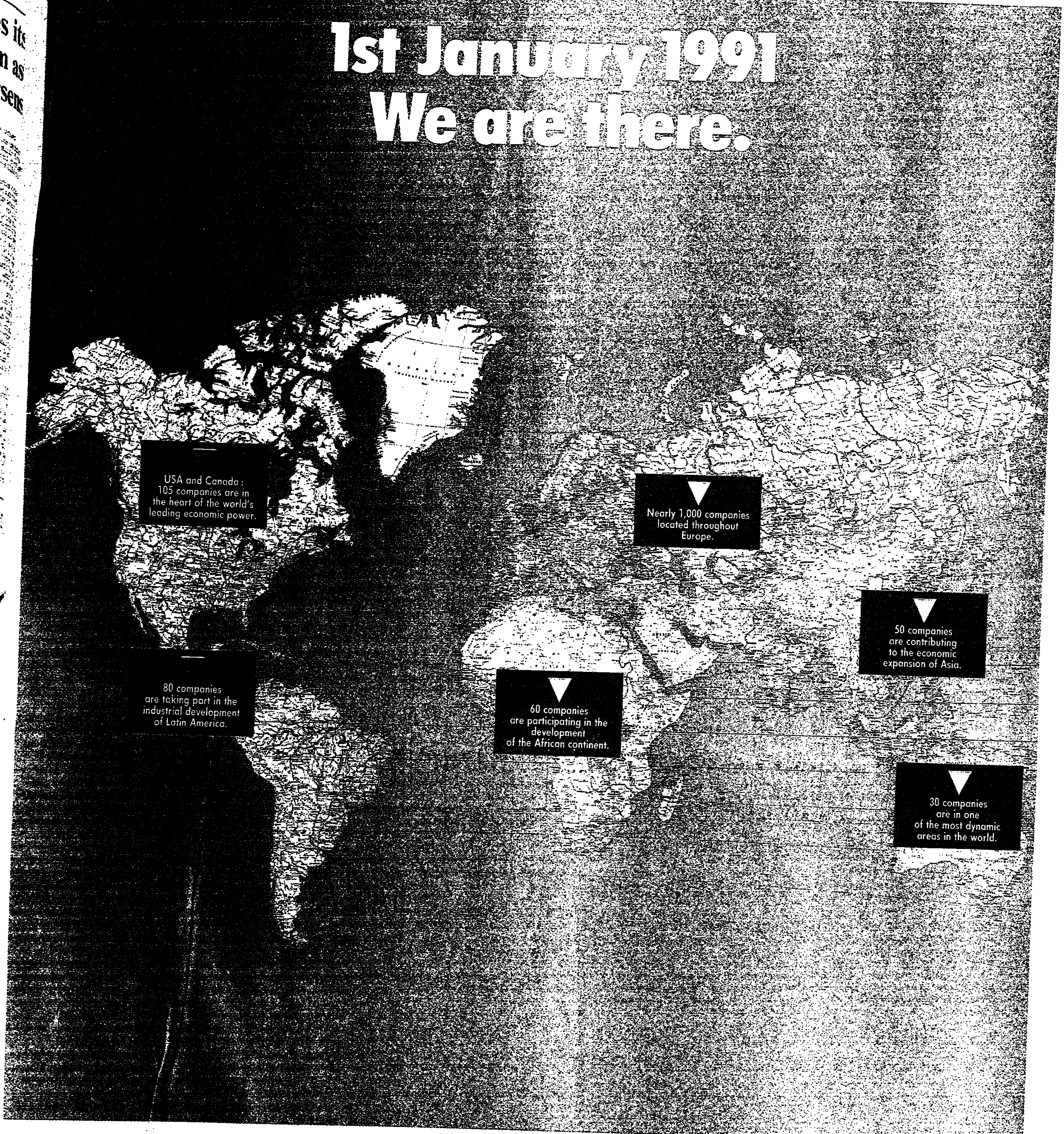

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AMERICAN NEWS

Judge lifts ban on Noriega tapes

A US federal judge yesterday lifted his ban against Cable News Network (CNN) broadcasting former Panamanian leader Manuel Noriega's taped telephone conversations, AP reports from Miami.

Judge William Hoeveler said "the tapes may be published as CNN wishes to publish them". The ban on the network's use of the recordings had sparked a fierce constitutional debate over the right of free speech against the right to a fair trial.

Mr Noriega, who is awaiting trial on charges of taking $4.6m (£2.3m) in payoffs to protect the cocaine trade through Panama, is being held in a federal prison near Miami. Prison authorities monitor and tape-record all inmates' telephone conversations, except those between inmates and lawyers.

The judge also ordered the Federal Bureau of Prisons to stop its practice of sharing tape-recorded conversations in the Noriega case with other government agencies.

But information from the tapes is already in the hands of at least one additional party, the government of Panama, according to an affidavit filed on Tuesday by the country's attorney in the US.

Ethics committee continues hearing into links with Lincoln chief

S&L senators' future in doubt

By Peter Riddell, US Editor, in Washington

Dennis DeConcini: 'least passive' at meeting

THE political future of several US Senators, notably Democrat Dennis DeConcini of Arizona, now looks uncertain following the exposure of the seamy side of American political contributions and the savings and loan scandal by the Senate ethics committee.

The committee's inquiry into the links between five US senators and Mr Charles Keating, the head of the failed Lincoln Savings and Loan, who raised or contributed $1.3m for their campaigns and causes, is now in its third week of nationally televised hearings.

The senators' staff and regulators have been paraded day after day to discuss whether the senators behaved improperly on behalf of Mr Keating.

The star witness has been Mr Edwin Gray, chairman of the Federal Home Loan Bank Board, the main S&L regulator, who in April 1987 attended a meeting when he claims to have been intimidated and pressured by the senators, an interpretation which they deny.

Mr Gray says that during the meeting Senator DeConcini was the "least passive" of those attending in promoting a "quid pro quo" that Mr Keating wanted to help keep Lincoln afloat. Under the deal, the bank board would withdraw a recently introduced regulation to curtail sharply investments by S&Ls in high-risk, high-profit ventures in exchange for an agreement by Lincoln to make more home mortgage loans.

He had earlier argued that the intervention by the senators "capped years of private threats and public vilification" aimed at thwarting effective regulation.

During the hearings Ms Laurie Sedlmayr, an aide to Senator DeConcini, said she had had misgivings about both Mr Keating and the senators' meeting with Mr Gray, the regulator.

Mr Robert Bennett, the committee's special counsel, has argued that conduct by three senators – Mr DeConcini, Mr Alan Cranston of California and Mr Donald Riegle of Michigan (the chairman of the Senate banking committee) – raises serious questions of propriety.

Mr Bennett has questioned the judgment of Senators John McCain of Arizona and John Glenn of Ohio in participating in the meeting with Mr Gray, but has said these two senators did not break specific rules of the senate.

During the public hearings the two Arizona senators and their lawyers have accused each other of wrongdoing in their attempt to establish their own innocence. In general, the senators have argued that their lobbying was a form of constituent service since Mr Keating was either a resident or had substantial business investments in their home states.

US chipmakers take softer line on trade pact with Japan

US semiconductor manufacturers have urged President George Bush to seek a new trade pact with Japan, to take effect when the current five-year chip agreement expires next summer, Louise Kehoe writes from San Francisco.

A new pact is essential, they claim, to maintain pressure on Japan.

The proposed new agreement's aims would be the same as those of the controversial 1986 pact – to open Japan's chip market to foreign suppliers and prevent future "dumping" of Japanese chips in the US and other markets.

US chipmakers said, however, the agreement would reflect "the current more positive trading relationship" between the two countries, signalling a more conciliatory tone.

The most significant change would be elimination of the "fair market value" pricing system – created to end dumping – in which the US Commerce Department determines on a quarterly basis fair prices for Japanese memory chips.

This element of the 1986 agreement caused a rift between US chipmakers and buyers, who claimed the anti-dumping measures caused a steep rise in memory chip prices.

By advocating that this system be dropped, the US chip industry has won support for its proposals from leading US computer and electronics industry groups.

The US chipmakers also recommend the US government delay to 1992 a deadline for Japan to increase foreign purchases of semiconductors to at least 20 per cent of its market, with future targets to be negotiated.

The foreign share of the $15bn (£7.6bn) Japanese chip market has risen from 8.5 per cent, when the 1986 agreement was signed, to 13.3 per cent in the second quarter of 1990, according to latest estimates.

The immediate challenge for US chipmakers lies in Washington. Industry officials acknowledge that elements within the Bush administration may not favour moves that could aggravate trade friction with Japan.

US economic growth slower than forecast

By Michael Prowse in Washington

US ECONOMIC growth was slower than expected in the third quarter, the Commerce Department said yesterday, but new durable goods orders for October were surprisingly buoyant, mainly because of strength in the volatile transportation index.

Real gross national product increased at a seasonally adjusted annual rate of 1.7 per cent in the quarter, slightly down from last month's "flash" estimate of 1.8 per cent.

The figures contrast with market expectations of an upward revision in growth to between 2 and 2.2 per cent.

Mr Marlin Fitzwater, White House spokesman, seized on the figures as evidence that the US economy was not yet in recession. The 1.7 per cent GNP increase follows rises of 0.4 per cent in the second quarter and 1.7 per cent in the first.

However, GNP is widely expected to decline in the fourth period, perhaps at an annual rate of 2 to 3 per cent.

New orders for durable goods in October rose 3.6 per cent to $129bn (£65.8bn), after declines of 0.9 and 1.6 per cent in August and September. However, excluding transportation, new orders fell 0.4 per cent.

The largest downward revisions in third-quarter GNP were in personal consumption spending, which rose 3.2 per cent compared with the previous estimate of 3.6 per cent, and business inventories, which declined by $4.4bn against $1.7bn in last month's report.

Housing construction and government spending were also more subdued than initially estimated.

The largest upward revision was in foreign trade. After allowing for inflation, the gap between imports and exports narrowed to $500m in the third quarter compared with an initial estimate of $7.9bn. Figures for business investment were also revised upward.

Officials said that the increase in new durable goods orders was more than accounted for by a 14.8 per cent gain in orders for transportation equipment. This reflected strength in both aircraft and motor vehicle orders.

Mexican trade talks may draw in Canada

By Richard Johns
in Monterrey

THE thorny question of whether Mexico's negotiations for a free-trade agreement (FTA) with the US will start on a bilateral basis or will involve Canada will be tackled in Brussels on Sunday.

Mrs Carla Hills, US trade representative, will discuss the question with Mr Jaime Serra Puche, Mexico's minister of commerce and industry, and Mr John Crosbie, Canada's minister of trade, prior to next week's General Agreement on Tariffs and Trade summit in the Belgian capital.

Mrs Hills said they would examine "whether it is efficient to have Canada be part of this negotiation; whether it is desirable to proceed in a tripartite fashion or a bilateral fashion".

She was talking prior to President George Bush's departure from Monterrey following a successful summit meeting with President Carlos Salinas de Gortari, aimed primarily at laying the best possible base for free-trade talks, which are expected to start in early summer next year.

The essential aim was to move towards not only a comprehensive North American FTA but agreement covering the whole of the western hemisphere, Mrs Hills stressed.

Earlier Mr Nicholas Brady, US Treasury secretary, had been evasive when asked if the US would insist in bargaining with Mexico on guarantees about non-curtailment of energy supplies in the event of a worldwide supply disruption. However, he said the question had not been raised at the Monterrey talks.

Mr Brady made it clear that arrangements had not yet been finalised on the underwriting by the US Export-Import Bank of up to $1.5bn (£760m) of contracts under which American exploration and drilling companies would undertake work for the state oil group.

There had been no discussion of the possibility of equity participation – or rights to hydrocarbon reserves discovered – in risk ventures with the state oil corporation, Mr Brady said.

Chevron oil output plan angers green lobby

By Alan Friedman
in New York

CHEVRON, the fourth biggest US oil company, plans to activate the controversial Point Arguello oil field off the coast of California to produce up to 20,000 barrels a day.

The move, presented by Chevron as a response to a call by President George Bush for increased domestic oil production, means making use of an oil field which symbolises the national conflict between environmentalists and the oil industry's desire to capitalise on higher crude prices.

Point Arguello, 10 miles off the coast of Santa Barbara, has remained idle for three years following a $2.5bn (£1.3bn) investment by Chevron and 17 other companies.

Environmentalists have blocked various plans to pipe or tanker the oil to Los Angeles, and Chevron has already written off $445m of its $780m portion of the investment.

The arguments against shipping oil from Point Arguello, the nation's biggest domestic oil find in 20 years, were strengthened in the wake of last year's Alaskan oil spill disaster.

In recent weeks the Department of Energy has tried to mediate between the oil industry and environmentalists, suggesting interim tankering of the Point Arguello oil to Los Angeles. This compromise was rejected by local officials in Santa Barbara.

Environmentalists yesterday dismissed the Chevron decision as a public relations manoeuvre, but Mr Will Price, president of Chevron USA, said the move "is a good-faith attempt to bring into being the compromise offered by the Department of Energy in the interest of meeting the nation's energy needs".

Mr Price said the controversy "is really a local issue", adding he was optimistic that Chevron would win an appeal to the California Coastal Commission. The 20,000 barrels a day will be piped to Northern California rather than to Los Angeles, which will mean making partial use of the All America pipeline.

Collor admits policy may have to change

By Robert Graham and Christina Lamb in Brasilia

BRAZIL'S President Fernando Collor de Mello has admitted he may have to modify his economic stabilisation programme following disappointing results in Sunday's elections for state governors.

Mr Collor told the Financial Times he was increasing efforts to secure a "national understanding" to defeat inflation. Over the next week he will meet political leaders, business and union representatives and church officers.

"We will have to see if the plan has to undergo some modification," he said, adding: "The best economic plan we can have is one that can count on the support of society as well as a considerable proportion of Congress."

Mr Collor blamed the recent surge in inflation on the doubling of the oil import bill, resulting from the Gulf crisis. "At a time when we are trying to economise, this extra dollar cost [$300m per month] is very serious."

Inflation is edging towards 19 per cent a month but Mr Collor said his government was still working to reduce it to a monthly 3 per cent by next autumn.

He denied the state elections were a referendum on his government and described the results as a "consolidation of democracy". However, with the defeat of pro-Collor candidates in 14 states, including the five biggest, the president will have a harder time advancing his anti-inflationary policies.

He denied his efforts to secure support reflected a feeling of isolation and suggested instead that using the consensus approach to defeat inflation might be the last chance to avoid a serious recession.

"We must balance the application of our economic programme with the least possible social cost."

Previous meetings between ministers and business and union leaders have ended without agreement. The fundamental difference is over wage indexation, which the government sees as a key cause of escalating inflation.

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THE NEXT ELECTION

New cabinet lifts Tory hopes of June victory

By Alison Smith

WITH the new cabinet in place and the government taking shape, many Tory MPs have already begun reviving the "golden scenario" of a June election next year.

Though Mr John Major, the prime minister, has himself said recently that the election will be won or lost on the economy, the surge of optimism among Tory MPs over the last 36 hours has been clearly based on political, rather than economic, indicators.

Meanwhile the Labour opposition party tried to seize the initiative on the issue of Europe, with a further step towards endorsing the principle of a single currency.

Despite the euphoria at their new high standing in the opinion polls, some Tories would – privately at least – agree with Mr Neil Kinnock, the Labour opposition leader, that the ratings shown are not necessarily a good guide as to how people would vote at a general election.

"I am not just dismissing the polls," Mr Kinnock said yesterday.

"I am saying it was a phenomenon connected directly with the widespread desire for Mrs Thatcher to go under just about any circumstances.

"There was such a national gush of relief at her departure under any circumstances that it showed up in a particular way in the polls," he said.

Where the Tories would differ from Mr Kinnock is in their conclusion.

Where Labour say that the verdict is on Mrs Thatcher's policies and will continue to reflect on the Tory party, Tories themselves are now confident they can make a fresh start and jettison their previous unpopularity.

And while sceptical of the long-term value of the current opinion poll lead, they are heartened by the likely effect of that lead, together with the new mood of unity, on the morale of party activists and supporters.

Labour is working on the basis that Mr Major will go for an early election, and is planning a campaign next week to re-emphasise issues such as education and health.

While Tories say they do not believe there will be a "snap" election as early as February, and would be worried if there were, they believe that the months between June and October may offer a winning combination of "honeymoon" effect, even if it is beginning to wane, and sufficient movement in the right direction of most economic indicators.

They say that that timescale would also be the best from the point of view of going to the country with a promise of a reformed poll tax rather than with a completed review, which may not meet expectations.

But even the most sanguine do not believe it will all be plain sailing.

There is a desire to let matters settle for a while, and caution about the public mood as people face possible further difficulties about the health service, rising unemployment, and continuing high levels of interest rates.

Given the apparent volatility of the electorate, the Tories are also keen to have the May local election results to study before reaching a decision.

As council elections, they should be particularly valuable as a sign of how much continuing resentment the current version of the poll tax is causing.

Nonetheless, the new mood of hope was summed up yesterday by one minister, who commented:"When is the general election going to come? In June or October, when we can win it."

● LABOUR yesterday gave explicit backing to a single European currency and the creation of a Central Bank for Europe, adds Ivo Dawney.

A six page policy document, approved by the party's National Executive Committee, backs Britain's eventual entry into a European monetary union but rejects outright as "a costly complexity" the hard-Ecu alternative strategy, devised by Mr Major.

The move, clearly intended to steal a march on the Conservative government in the run up to next month's EC intergovernmental conference in Rome, is hedged with a number of qualifications.

These include the need for approval of monetary union by member states' and reservations about the timetable for economic convergence under the Delors plan.

Nonetheless, the policy statement, approved by 18 votes to one, represents a significant step for the party, shifting it still further from a sceptical stance on the issue to a positively pro-European position.

Commending the policy yesterday, Mr Larry Whitty, Labour's general secretary, said it was a "dynamic, forward-looking document, in tune with the thinking of the British public."

JOHN MAJOR'S CABINET

Prime minister	John Major
Lord Chancellor	Lord Mackay
Foreign secretary	Douglas Hurd
Chancellor	Norman Lamont
Home secretary	Kenneth Baker
Leader of the Commons	John MacGregor
Tory party chairman	Chris Patten
Defence	Tom King
Environment	Michael Heseltine
Trade and Industry	Peter Lilley
Chief secretary to treasury	David Mellor
Education	Kenneth Clarke
Employment	Michael Howard
Transport	Malcolm Rifkind
Energy	John Wakeham
Social Security	Tony Newton
Northern Ireland	Peter Brooke
Agriculture	John Gummer
Health	William Waldegrave
Welsh	David Hunt
Scottish	Ian Lang
Leader of the Lords	David Waddington
OUTSIDE THE CABINET	
Government chief whip	Richard Ryder
Attorney-General	Sir Patrick Mayhew

PROFILE OF THE NEW CHANCELLOR OF THE EXCHEQUER

Lamont heads battle against inflation

By Philip Stephens

MR NORMAN LAMONT has the job he has always wanted. Until a few days ago it was a distant dream.

The affable, urbane and ambitious 48-year-old MP for Kingston-upon-Thames was, until mid-1989, stranded on the fringes of the Cabinet. His appointment then as Chief Secretary to the Treasury left him one of its most junior members.

But the cataclysmic upheavals which started 13 months ago with Mr Nigel Lawson's resignation and ended yesterday with Mr John Major's move to 10 Downing Street left him the obvious choice yesterday as Chancellor.

Four years' experience in the Treasury – he was financial secretary from 1986 – a background before that in energy, trade and industry, and defence, and an economics degree from Cambridge gave him the paper qualifications.

His central role first in persuading Mr Major to contest the leadership and then in running the slickest campaign of any of the candidates, provided the political credentials. "Anyone who could get BT to install six telephones and a facsimile machine within an hour will have no trouble running the economy", a friend commented this week.

If the past is any guide to the future, Mr Lamont's elevation will not signal any great break with the economic policies of his predecessor.

The present parlous state of the economy, with inflation in double-figures and the trade deficit still large, limits the discretion of any chancellor. So too does sterling's participation in the exchange rate mechanism.

Mr Lamont anyway shares Mr Major's instincts. He is no ideologue. But like the prime minister he believes that the government's political credibility – and thus its hopes of winning the general election – depends on curbing inflation.

His "Bruges-line" attitude to European integration will provide a counterweight to Mr Douglas Hurd's more sympathetic approach during the forthcoming negotiations on economic and monetary union.

In general, the soubriquet that can be applied to many members of the new cabinet – dry on economics, dampish on social issues – fits fairly well.

A one-time supporter of Mr Edward Heath, the former Tory prime minister, who took the risk of switching to Mrs Thatcher in 1975 before she became leader, his political outlook has drifted steadily to the right. He was one of her strongest supporters in her initial contest with Mr Michael Heseltine.

Although they are old friends – Mr Lamont was his number two at defence during the Westland crisis – he deeply distrusts Mr Heseltine's interventionist approach to economic and industrial management.

The new chancellor was dismayed and enraged when Mr Lawson offered his support in the leadership struggle to the former defence secretary. He told friends that Mr Lawson, for three years his patron and mentor at the Treasury, had betrayed the passionate belief in economic liberalism that they had shared.

During the recent turmoil, he also revealed a deeply-felt antagonism to any rush towards European integration, arguing that issues which were fundamental to Britain's control over its own destiny, could not be "swept under the carpet".

But after the first leadership ballot, Mr Lamont agreed with most of his Cabinet colleagues that Mrs Thatcher could not win. He told her bluntly. When she decided to step down, he decided instantly that Mr Major was the candidate who would do most to preserve her inheritance and moved quickly to set up his campaign.

By background and temperament he will mark a break with Mr Major. If the new prime minister is often accused of being "grey" and "suburban", Mr Lamont is a gregarious socialite whose appearances at fashionable parties have sometimes brought unwelcome mentions in the tabloid gossip columns.

A former merchant banker at Rothschilds, he retains many close friends in the City. He enjoys the company – though he insists less so as time goes by – of journalists. Dinner parties at his elegant Notting Hill home include a wide circle of acquaintances from outside politics.

Mr Lamont's social background is also markedly different from that of Mr Major. The son of a surgeon, he was one of the "Cambridge Mafia" of young Tories in the mid-1960s, which includes in its number Mr Kenneth Clarke, Mr Michael Howard and Sir Leon Brittan. After a spell at Conservative Central Office and in the City, he became MP for Kingston-upon-Thames in 1972.

But his basic approach to economic policy is identical. Officials who have worked closely with him say he is convinced of the political as well as the economic arguments for a tough anti-inflation strategy.

He was agnostic if not unenthusiastic about the decision to take sterling into the ERM. But that reflected his general scepticism towards Europe rather than any lack of commitment to a strong exchange rate as an anti-inflationary discipline.

Spells as a junior trade and industry minister, when he was responsible for the sale of British Shipbuilders, and as financial secretary, when he led the campaign for wider share ownership, have left him a fervent advocate of privatisation.

As chancellor he may continue to wage the campaign he launched in more junior roles to persuade the City to pay more attention to small investors and, perhaps, to erode the rights of the institutions to pre-empt new share offerings.

If he is often exuberant, Mr Lamont also inclines to reflex pessimism about the political outlook. "He is most cheerful when he is being gloomy" is how one Whitehall insider puts it. "He always thinks something else will go wrong", says a ministerial colleague.

But he is politically shrewd. An impatience with minutiae is balanced by a natural grasp of the main issues and an ability to deliver combative, off-the-cuff performances in the House of Commons.

Treasury officials believe that his new job will test his nerve. Britain is heading much faster into recession than the government thought. Striking a balance between maintaining the pressure on inflation and avoiding an irreversible slump will be more difficult than for many years. "We don't know whether we should cut interest rates now, so it will be up to him", a senior Whitehall official said yesterday.

He is known as a minister who insists on comprehensive briefings from civil servants before taking on his opponents. But his nervousness before such occasions is often belied by his outward confidence once battle is joined.

His tough performance as chief secretary in this year's public spending round enhanced his stature with cabinet colleagues. He tells friends that, for all the angst, he has never enjoyed anything as much in his life.

The negotiations were the most difficult since the early 1980s, and Mr Lamont was forced to add an extra £8bn to the public spending total for next year. Both his officials and Mr Major, however, judged that it was the lowest figure that he could have hoped for, given the impact of departmental budgets of the sharp rise in inflation.

As chancellor, his approach to spending, taxation and borrowing is likely to be similarly tough, but to be pragmatic rather than ideological. He will stick to the target of progressive reductions in public spending as a share of national income but is likely to unfussed if it takes time.

His instincts on taxation will incline him towards using any leeway to help those at the bottom end of the income scale. There is already speculation that he might use his first Budget next year to restructure further national insurance contributions for the low-paid.

Before then he will have to walk the tightrope of decision-making which will allow the government to bring down inflation without ruining its electoral prospects by driving the economy into a deep recession.

THE VIEW FROM BONN

Nostalgia for unifying effect of devil they knew

By David Goodhart

IN GERMANY the election of Mr John Major, scarcely known on the international stage, has released a surprising wave of nostalgia for the "devil you know" - Mrs Thatcher.

Commentators who could not bear her when in office are suddenly discovering her virtues - among them her unifying effect on the rest of the EC. It is feared that without the pole of Mrs Thatcher the EC will subdivide into squabbling groups.

Even Chancellor Helmut Kohl said in an interview yesterday: "Contrary to what has already been said about me in public, I have a very good relationship with Mrs Thatcher. It is true that we often had arguments, perhaps more than other people, but this did not in any way diminish my respect for the extraordinary achievements of this extraordinary woman.

"It took me quite some time before I understood her negotiating tactics and her way of asserting her opinion in meetings," he said.

"In decisive political questions, as she well knows, I do not share her opinions. I do not support a pure market economy but the social market economy.

"I also believe there can be no return to the national state of the 19th century. But in the questions of defence and the espousal of freedom we are not divided."

The Chancellor yesterday sent a telegram of congratulation to Mr Major.

"The Federal Republic of Germany and the United Kingdom can look back on many years of close friendship in the EC and Nato," he said.

"I am sure that in the coming period I will be able to further develop with you the close relationship between our countries."

Mr Hans-Dietrich Genscher, the Foreign Minister, would probably have preferred a victory for Mr Douglas Hurd with whom he has built up a close relationship.

However, he did take Mr Major to a Beethoven concert when the new prime minister was in Germany briefly last year during his short time as Foreign Secretary.

The German media, taking its cue from the British media, has been stressing Mr Major's humble background and also the circus career of his father.

VIEW FROM HONG KONG

Hope of tougher line on Peking

By John Elliott

HONG KONG community leaders hope that Mr John Major will take a more robust line than Mrs Margaret Thatcher with Peking on democratic and other issues in the British colony, which returns to Chinese sovereignty in 1997. However, they do not expect any significant change of approach.

They are relieved that Mr Michael Heseltine did not win the Conservative leadership contest because they feared he might have softened the line on Peking.

Mrs Thatcher was often accused of losing interest in Hong Kong after she signed a joint declaration with China in 1984 on the 1997 handover. It was believed that she saw Hong Kong's re-emergence as a prime political issue last year as an irritant rather than an important challenge.

"I hope Mr Major will bring Hong Kong back on to the agenda and commit Britain to ruling Hong Kong in the interest of the people which has ceased to be the case in the past year and a half of appeasement following last year's Tiananmen Square massacre," Mr Martin Lee, a leading liberal campaigner and political party leader, said last night.

Sir David Wilson, the governor, said that the likelihood that Mr Douglas Hurd would remain foreign secretary was "an added bonus" because of his experience.

VIEW FROM BRUSSELS

Delors looks with greater hope towards London

By David Buchan in Brussels

SO INGRAINED has become Mr Jacques Delors' habit of thinking that anything he says publicly about Britain and Europe does more harm than good that the Commission president sent the most anodyne of congratulatory messages to prime minister John Major yesterday.

In telling Mr Major that the Commission looked forward "to working closely with you, in order to fulfill the decisions already taken by the Community and, in particular, the Single (European) Act", Mr Delors did not dare voice a hope that Britain and Europe could turn over a new leaf in their troubled relationship.

Yet, in Mr Delors' view, it was Mr Major who, with his hard Ecu plan last June, opened the first chink in the Thatcher government's armour-plated opposition to economic and monetary union (Emu). The Commission president believed that when he praised the hard Ecu plan as constructive, he might be able to create a political breakthrough, but Mrs Thatcher's dismissive tone, even about her chancellor's plan, quashed that hope.

Mr Major will be pushed by his own party in Europe to modify his hard Ecu plan, so that it becomes seen, as Sir Christopher Prout, leader of the Tory Members of the European Parliament, said yesterday, "as a step on the road to monetary union rather than as a substitute for it".

With Britain getting a new prime minister and chancellor of the exchequer, Mr Delors will be relieved if Mr Douglas Hurd stays as foreign secretary. Though he appears to many EC colleagues as standoffish, Mr Hurd has maintained the good relationship with Mr Delors that his predecessor, Sir Geoffrey Howe, struck up.

In the European Parliament - an important bellwether of ideological shifts in the Community - Tory MEPs were yesterday renewing their long-standing bid to join the centre-right European Peoples Party (or Christian Democrat) group. One of the obstacles to such a merger was "the perception that Margaret Thatcher was a minimalist towards the Community, said Mr Edward Macmillan-Scott, a Tory MEP. The June 1989 Euro-elections reduced Tory MEPs to 32, sitting with two Danish conservatives in the European Democratic Group. They voted overwhelmingly to join the 123-strong EPP, but the latter turned them down. Aside from its distaste for Mrs Thatcher, the EPP has wanted to preserve its understanding with the socialists that a christian democrat would have a clear run to succeed the present Spanish socialist incumbent, Mr Enrique Baron, as president of the Parliament in January 1992.

It is precisely this left-right divide in Britain that puzzles, and alarms, someone like Mr Delors. Its ferocity is alien to this French socialist who got his start in political life working for a Gaullist premier, Jacques Chaban-Delmas.

Jacques Delors: looking forward to working with the new prime minister on the Single European Act

A touchy man, he finds it hard to laugh off such excesses as the recent "Up Yours Delors" campaign waged by the Sun newspaper, though he finds it equally hard to blame the Tory press from having taken its tone from Mrs Thatcher. On the other hand, he does not want to be used by the Labour party in an ideological war he does not want to fight.

Not only has the increased British weight among Socialist MEPs sharpened the Parliament's complaint that the Commission is going slow on social legislation. He is also aware, through people like Mr Norman Willis, the easy-going secretary general of the Trades Union Congress who is one of the few Britons with whom he keeps up, of the very considerable reservations that exist within the Labour party about his pet project, Emu.

Small wonder, then, the Commission president deals with Britain as though he were walking on eggs.

VIEW FROM PARIS

French sceptical of Major's new era in shadow of Thatcher

By William Dawkins in Paris

FRENCH opinion was yesterday sceptical, with varying degrees of politeness, over how far Mr John Major's line on the European Community would be independent from Mrs Margaret Thatcher.

The general fear was that Mr Major might mark a shift to a more diplomatic style, with no change in the underlying UK fears of loss sovereignty, which ring so jarringly in French ears.

A rather wistful sounding statement from the Foreign Ministry hoped that Mr Major "will show better understanding" than Mrs Thatcher of the importance of British participation in European monetary and political union. "One could wish that Mr Major understands better than Mrs Thatcher the interest for Great Britain and the 12 to work together in the creation of the single market and European union," said a spokesman.

Among the press, Mr Major was variously described as the protegé, godson and puppet of Mrs Thatcher. Le Monde expects him to continue Mrs Thatcher's economic policies, but to be less blunt on European questions. In a typically cutting front-page cartoon, Le Monde shows a grinning Mr Major being borne aloft by the shadow of a departing Mrs Thatcher.

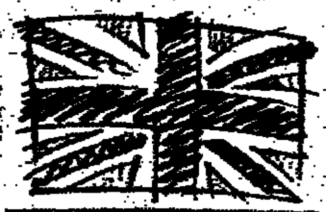
Chirac: warm welcome

The financial daily, La Tribune de l'Expansion, believes the Conservative party has chosen the least European of the three succession candidates. Perhaps unkindly, the left-wing Libération newspaper says: "Sooner or later, the puppet Major will have to cut the strings that tie him to his creator."

However, there was an unreservedly warm welcome from one quarter - Mr Jacques Chirac, former Prime Minister and head of the right-wing Gaullist party, ideologically sympathetic to Mr Major. "All those who share with you the values of liberty and responsability today rejoice to see you take control of Britain's affairs," he said.

UK NEWS

BRITAIN IN BRIEF



Job cuts expected at BAe soon

British Aerospace is expected to announce next month a restructuring of its military aircraft operations possibly including extensive job reductions because of cutbacks in Government defence spending.

BAe union leaders said they expected an announcement on job cuts as early as next Monday. They said the company had called mass meetings on Monday at three plants.

BAe launched last July a thorough review of its military aircraft company, which employs about 26,000 people in the UK and overseas. The review followed the cancellation last June of 33 Tornados combat aircraft for the Royal Air Force.

Doubts over City's future

Middle market companies in the UK have doubts about the future of the City of London as a corporate finance centre.

According to a survey of senior executives at 100 companies by KPMG Peat Marwick McLintock, the accountancy firm, only 36 per cent see an optimistic future for the City, while 21 per cent thought London's importance would diminish.

Mr Gerry Acher, KPMG's head of corporate finance, said the result reflected widespread disenchantment among middle market companies with the failure of the UK's equity market to respond to their needs.

Few women in top jobs

Accused of complacency: Angela Rumbold

The senior civil servants' trade union accused the government of complacency over the small number of women in top Civil Service grades.

The accusation followed a claim by Mrs Angela Rumbold, the outgoing Minister of State at the Home Office, that the way in which the Civil Service promoted women was an example to other employers.

Mrs Rumbold was speaking at the launch of a National Economic Development Office report on the under-representation of women in management jobs. Only 1 or 2 per cent of all senior management jobs are filled by women, according to the study.

Supergun affair rekindled

The controversy over the Government's handling of the Iraqi supergun affair is set to be rekindled by a Parliamentary inquiry into the Department of Trade and Industry's role in the incident. The parts for the gun were discovered at Teesport dock in Cleveland in April.

A senior member of the committee said it had accumulated a substantial dossier of information, which showed that the companies involved had kept the DTI fully informed of what they were being asked to do from an early stage in the negotiations over the contract.

EC directive on employment

All workers in the European Community would be entitled to a written contract stating their terms of employment under a directive proposed by the European Commission.

Unlike most of the Commission's social proposals, which have met uniformly hostile response from the UK, British officials suggested that the proposals were broadly acceptable.

The idea has been supported by the Institute of Economic Affairs, the right-wing policy group. However, Britain resents the idea of Brussels dictating the terms of contracts covering work, which it believes are a matter for member states.

UK company wins contract

A contract worth more than £200m has been placed with John Brown, the engineering division of Trafalgar House, to install anti-pollution equipment at PowerGen's power station at Ratcliffe-on-Soar in Nottinghamshire.

John Brown fought off stiff foreign competition to win the contract, which is crucial to PowerGen's plans for combating acid rain pollution. PowerGen is one of the two electricity generating companies due to be privatised in February.

Steel figures disputed

The Ravenscraig steel plant in Scotland, which is due to have its hot strip rolling mill closed next April with the loss of 770 jobs, has better productivity than most British Steel plants, according to figures presented by union officials to a select committee.

According to the union's estimates, based on figures used to calculate bonus payments, Ravenscraig's productivity this September was 2.4 man hours per tonne.

This compares with the overall productivity figure at British Steel for the year to March 31 of 4.8 hours per tonne, quoted in the company's annual report.

Fuji Bank sets up London HQ

Fuji Bank, one of Japan's largest banks, has decided to locate its European headquarters in London. Mr Naoaki Yokobori, managing director responsible for Europe, said the move "proves our strong commitment to the European market and will provide a powerful base for further localisation."

Marathon to develop field

The Government has given approval to Marathon Oil, the subsidiary of USX of the US, for the development of the East Brae gas condensate field at an expected cost of £850m.

The field, 165 miles northeast of Aberdeen, has recoverable reserves of 1.5 trillion cubic feet of gas and more than 300m barrels of condensate, liquids that come out of the gas during production. This makes it one of the larger developments of recent years.

Complaints rise against banks

The retail banks are the source of a "rising tide of complaints" according to the Banking Ombudsman in his annual report.

"Complaints are up by a very substantial amount" said Mr Laurence Shurman, Banking Ombudsman, who received 3,915 complaints from members of the public about banking in the year up to September 30, an increase of 45 per cent on the previous year. The Ombudsman said that "at least 20 per cent" of the 651 cases settled this year had been resolved in favour of the complainant.

Tenure plans announced

The Government has published its long awaited proposals for new legal arrangements for the freehold ownership of flats and other interdependent buildings with shared facilities.

The new scheme of freehold ownership, known as "commonhold", is similar to "strata title" or "condominium" schemes which already exist in other parts of the world.

Its aim is to provide a satisfactory alternative to the existing long-leasehold arrangements which are generally used at present for flats and similar developments.

London college makes cuts

Queen Mary and Westfield College, a part of the University of London, has been ordered to cut £1.8m from its budget for next year by the universities funding watchdog, the Universities Funding Council.

Mr Graham Zellick, acting principal of QMW, said that if cuts in spending are not made, the college will eventually face bankruptcy. He said the cuts ordered by the UFC had been anticipated by the college, which had ordered some £800,000 in cuts earlier this year. It had also planned an additional package of cuts worth about £1.5m.

NATIONAL INSTITUTE FORECAST

Growth expected to slow in seven biggest economies

By Peter Marsh, Economics Staff

THE world's big seven economies face a marked slowdown next year, although growth will stay high in Germany and Japan, according to the National Review, the London-based leading think tank.

In its quarterly review published yesterday, it says that total output in the big seven will increase by 1.3 per cent next year, compared to 2.4 per cent this year and 3.2 per cent in 1989. Growth is put at 2.4 per cent in 1992. The seven largest economies are US, Japan, Germany, France, Italy, Britain and Canada.

The outlook for the world would be worse but for the buoyant outlook for Japan and Germany, the review says. The US and Britain look likely, in contrast, to suffer a relatively prolonged economic slowdown.

In the US, total output is likely to grow by just 0.8 per cent in 1991, compared to 1.1 per cent in 1990 and 2.5 per cent in 1989.

On the other hand, growth in Japan will probably be above 6 per cent this year for the first time since 1973, a rate of expansion driven by strong domestic demand and high business investment.

The review says the Japanese economy will remain strong next year, though growth will slow to 3.8 per cent, with inflation showing an increase from 3.2 per cent this year to 4.5 per cent.

In Germany, the aftermath of unification will lead to strong economic expansion, with total growth of 3.8 per cent next year, about the same as in 1989.

The massive extra resources being required by the German economy to meet new consumer demands and spending on industry and transport infrastructure will lead to an increased import bill, the review says.

German import volumes are forecast to grow by about 9 per cent in both 1990 and 1991. That should add up to 0.5 per cent in world trade and aid the economies of a number of other countries suffering downturns in domestic demand.

Growth in Europe as a whole will be constrained by a rise in real interest rates, stemming from an increase in rates in Germany. In the longer term, this increase should be offset by the openings in business demand in eastern Europe.

The review says its forecasts are hedged by the uncertainties regarding the Gulf crisis. It assumes oil prices will peak at $35 a barrel in the final three months of 1990, and fall to $24 a barrel by the end of 1991.

NATIONAL INSTITUTE REVIEW FORECAST

	HOME ECONOMY							WORLD ECONOMY		
	Real GDP† Total	Non-oil	Manu. output‡	Jobless♣	RPI♥	Current Bal♣	PSBR♦	Real GNP☆	Consumer Prices☆	World Trade★
1989	2.5	3.6	4.4	1.7m	7.6	-£19bn	-£8bn	3.2	4.2	6.7
1990	1.3	0.9	0.5	1.8m	10.3	-£17bn	-£4bn	2.4	4.5	4.6
1991	0.8	1.1	-0.4	2.1m	4.8	-£14bn	+£2bn	1.8	5.2	3.9

†Output measure, % change, year on year. ‡% change, year on year. ♣UK, wholly unemployed (excluding school leavers), fourth quarter. ♥% change, fourth quarter on fourth quarter. ♣Year. ♦Fiscal year. ☆Major seven, % change, year on year. ★Volume of world trade, % change, year on year

Recession to be short but sharp

By Rachel Johnson, Economics Staff

THE CURRENT UK recession will be a substantial one which intensifies before cuts in interest rates provoke an economic recovery next year, according to the National Institute forecast.

The onset of the downturn was sudden, unexpected and followed a sharp change in business sentiment in the third quarter. However, the institute forecasts a year of better-than-average growth in 1992, contingent on oil prices falling back next year.

Unemployment is set to pass the 2m mark but the pound remains firm within the exchange rate mechanism. This, coupled with high interest rates, improves prospects of a fall in underlying inflation to about 5 per cent by the end of next year.

In the second half of the 1990s, the UK economy gradually converges with other European economies, making possible economic and monetary union, says the review.

On the fiscal front, public spending is "rising rather fast" and has eliminated the prospective surplus on the public sector financial balance. The balance of payments is predicted to be £14bn in deficit in 1991. Tax increases would prolong the recession; therefore the institute predicts a neutral Budget next spring.

Labour's changes to be 'radical'

By Rachel Johnson, Economics Staff

THE CASE for a Labour government's fresh look at economic policy has been strengthened by the "disappointing" performance of the economy under the Conservatives, the review says.

It pinpoints radical changes the party would make and suggests that a future Labour government take a different approach to managing the economy.

But it says that until Labour wins the credibility of the markets, a larger risk premium would attach to relative interest rates in the UK.

The long-term net result of Labour's policies would be to raise output and employment, having enlarged the capital stock and skills of the labour force, it says.

● On Europe, Labour is closer to Brussels than the Tories. It would be greater influenced by political developments in other countries, such as France.

● On exchange rates, the review says that depreciating sterling within the European Monetary System would undermine the system and Labour would be ill-advised to realign.

● On unemployment, reducing joblessness appears less of an issue now than fighting inflation. But new training programmes would raise labour productivity.

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FINANCIAL TIMES

BUSINESS LAW

Romania joins investment club

By Daniel Arbess

MAKE WAY for a new entrant in the eastern European competition for US and European investment – Romania, the Balkan nation of 23m and historically (in annual dollar terms) the US's largest trading partner in the region.

After last December's revolution, Romania got off to a slow start in terms of investor interest compared to its northern neighbours in Czechoslovakia, Hungary and Poland. Political instability is said to be the problem.

Although the December revolution successfully dislodged the dictator Ceausescu, observers were troubled by the bloodshed (including the summary execution of Ceausescu himself).

In recent months, the new government, led by Ion Iliescu, has been criticised for its use and threatened use of force to quell public dissent.

The resulting unfavourable press coverage has slowed tourist and business traffic to the capital and chilled technical and financial assistance discussions with the EC and various western countries.

Bucharest, however, says it is committed to democracy and human rights.

As the situation stabilises, aid and trade discussions should resume and western governments will re-consider Most Favoured Nation (MFN) status, along with access to trade finance credits, political risk insurance, and trade and investment protection agreements.

Meanwhile, the Romanians have taken impressive strides toward establishing a legal framework for foreign investment and rapid economic transformation.

For the prospective foreign investor, the centrepieces of this effort are a new decree-law on foreign investment, adopted on 20 March, 1990, a law on the reorganisation of state enterprises adopted on 7 August 1990, and a set of proposed legislative enactments and amendments now pending before the Romanian parliament.

The law on state enterprises features detailed procedures for transforming state enterprises into shareholding companies with government-appointed boards of directors. Thirty per cent of the shares of these companies will be distributed to the public at a nominal price. The rest will be sold at market value to domestic and foreign investors under the supervision of a newly established National Agency for Privatisation.

The criteria to be applied by the agency in selecting types and percentages of enterprises to be privatised, and valuation techniques, will be established in legislation now being finalised.

The state enterprise law also sets up a mechanism for the leasing of land and other state-owned property.

Such "concessions" will be granted to domestic and foreign investors on the basis of public auctions organised at the request of the ministry of trade and industry. Their maximum term is 20 years.

The good news is that Romanian tax rates compare favourably with those of neighbouring countries

The foreign investment law allows investors to establish joint ventures or 100 per cent owned domestic companies in all but a small number of "strategic" industries.

These companies are to be organised as joint stock or limited liability companies under existing and proposed company laws.

The establishment of a wholly foreign owned company requires "government" consent, although it is not immediately clear from the legislation which branch or agency.

Joint venture companies can be established with approval of the supervising ministry of the Romanian partner and the ministry of trade and industry. Romanian officials have indicated that a revision now being prepared will replace these approvals with a simple registration procedure.

Once established, joint ventures are free to operate completely outside the Central Plan (70 per cent of whose "targets" have already been eliminated, according to Romanian officials).

Accordingly, such companies can buy and sell domestically and abroad in the currency of their choice.

But there is a downside here. During the present period of transformation it may be difficult to find reliable sources of domestic supply.

If the experience in the Soviet Union and other soft currency economies in the region is any indication, surviving suppliers can be expected to take advantage of their own freedom and demand payment in hard currency from joint venture companies.

If a company manages to navigate these pitfalls and turn a profit, the good news is that Romanian tax rates compare favourably with those of neighbouring countries. Profits are taxed at an annual rate of 30 per cent (Czechoslovakia's rate is 40 per cent) after deduction for depreciation and reserve fund contributions (up to 5 per cent of invested capital).

There is an automatic exemption on income tax for two years "flowing from the turnover of the taxable income", and the ministry of finance can grant a 50 per cent reduction in the tax for an additional three years if profits are reinvested in Romania.

Dividends are taxed at 10 per cent (compared with 25 per cent in Czechoslovakia). The new Agency for Foreign Investment Promotion is also working on special tax waivers, subsidies and other incentives to attract western capital in particularly important sectors of the economy, including food processing, tourism and telecommunications.

As is always the case for western investors in central and eastern Europe, the make or break factor is likely to be the joint venture's right to earn and retain foreign currency, and the availability of foreign currency for dividend distribution and remission.

Romanian companies with foreign capital participation may retain 100 per cent of their foreign currency earnings (the limit for domestic companies is 30 per cent, to be increased to 50 per cent early next year). Surplus foreign exchange can be used to pay dividends to the foreign shareholder.

But what happens if the company has no foreign exchange surplus - what can the foreign shareholder do with its Romanian profits? Under the current law an annual amount up to 8 per cent of the foreign shareholder's "invested capital" will be converted to foreign currency by the Romanian Bank for Foreign Trade (RBFT) and may be transferred abroad.

Remaining domestic profits must be used for reinvestment or to buy Romanian goods and services.

Meanwhile, a pending amendment would reportedly provide for total repatriation of lei profits, subject to a 50 per cent levy by the RBFT.

The government also plans to move quickly to make the leu convertible, beginning early next year with periodic devaluations and hard currency auctions which will be open to joint venture companies.

Keep an eye on Romania. With its large and hungry domestic market, access to the Soviet market and apparent commitment to market reforms, it promises to become a significant player in the region's investment and privatisation game.

The author is a lawyer with the American law firm of White & Case.

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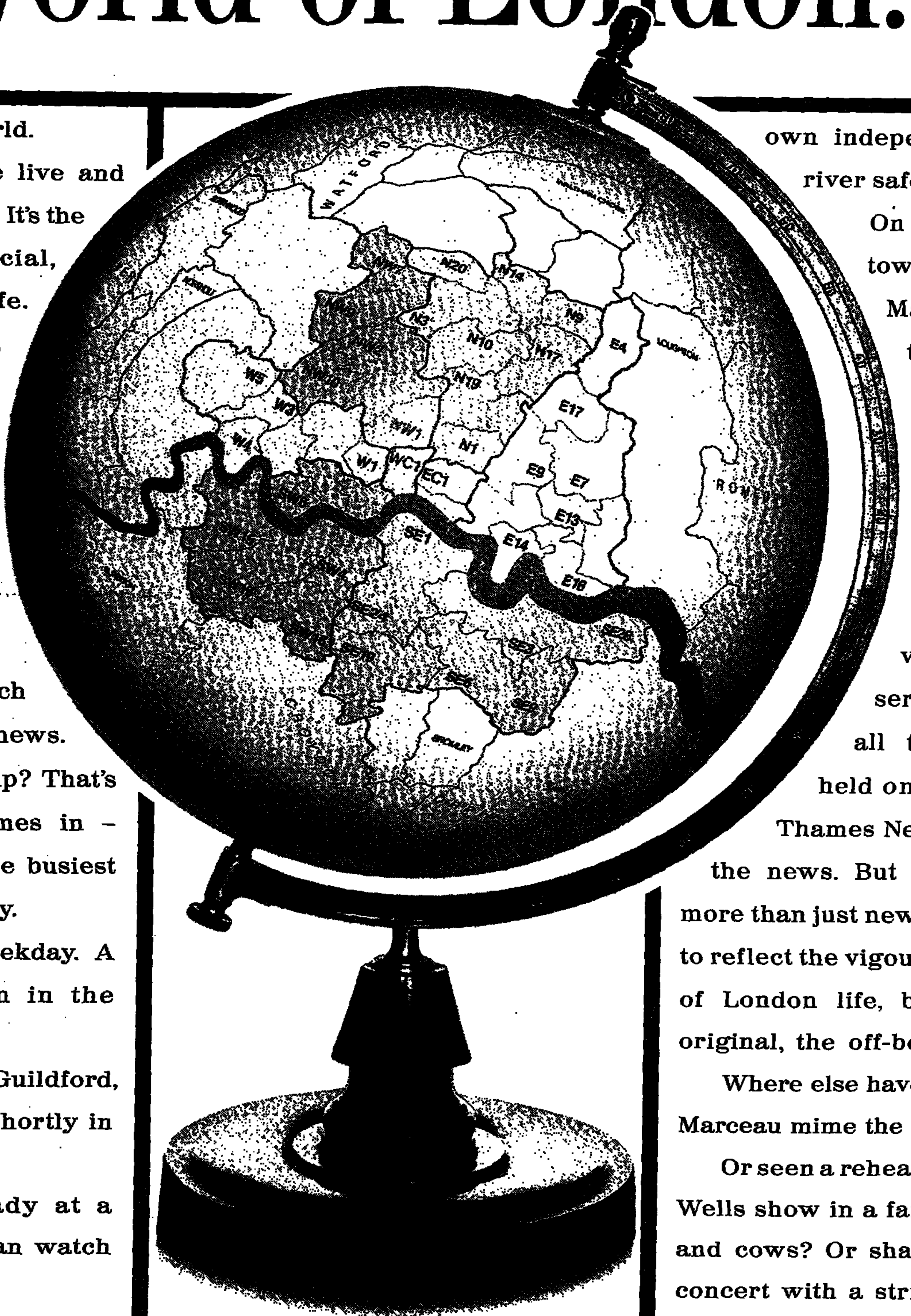

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TECHNOLOGY

Major's message to Japan

AS THE prime ministerial contest accelerated this week, the three candidates vied for the best way of getting their messages across. But in one public outing for the eventual winner, John Major, it was television viewers in Japan who got the first inkling of his views on inflation and the economy.

Opening the European headquarters of Japanese financial giant Nomura in the City of London, Major faced cameras which sent his words to Japan in less than a second after they were uttered. Some 10,000 Nomura employees in 140 locations heard Major joke that it was good to have "something enlivening to do in the midst of an otherwise dull period".

To transmit the pictures to all 140 buildings involved three satellites and a trio of phone companies.

- In London British Telecom transmitted the pictures by microwave to Telecom Tower, from where they were sent to the Goonhilly earth station and then up to a satellite over the Indian Ocean.
- The pictures were then picked up by an earth station in Hong Kong, run by Hong Kong Telecom, which bounced them back to a satellite hovering over the Pacific Ocean.
- From there they were transmitted via KDD, one of Japan's international phone companies, to Nomura's television production centre in Tokyo.
- Nomura then sent the programme via the domestic JC-Sat satellite to the 140 receiving dishes on the roofs of its buildings around the country.

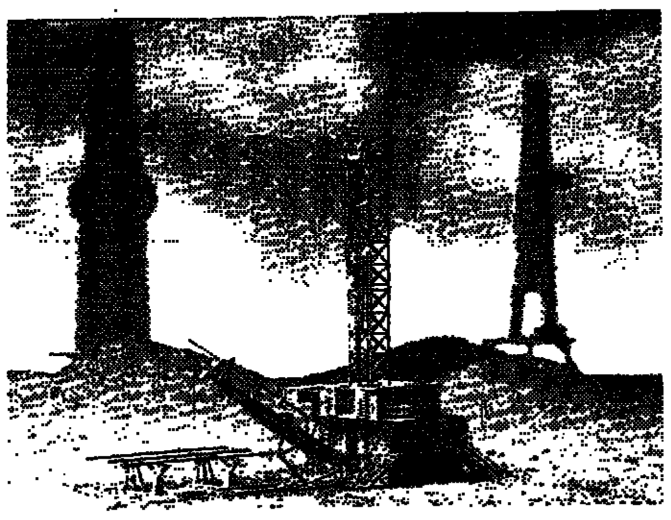
Although the link from the UK to Japan was a temporary one, Nomura's Japanese business television network provides a regular flow of broadcasts throughout Japan. Other international companies, such as Ford and BP, have set up in-house networks for keeping in touch with employees.

The market for business television is burgeoning as several companies, such as British Aerospace in the UK, enter the market for national or international broadcasts. But it is not cheap: the cost of one-way satellite broadcasts works out at about £1,500 per hour.

Della Bradshaw

David Fishlock examines how Royal Dutch-Shell exploits its R&D activities commercially

Models of discovery



Small-scale version of Shell's automated drilling machine

What should Royal Dutch-Shell be doing in research? The question has exercised Harry Beckers, research co-ordinator, and his team of senior research managers at Shell International Research Maatschappij (SIRM) for most of the 1980s.

"We won't do research where there is a very low chance of Shell moving into the business sector," says Guy Masdin, an aide of Beckers. The company has learned the hard way – for example, through an expensive flirtation with nuclear power in the mid-1970s – that it should stay out of areas of which it cannot exploit commercially. Beckers also points to Exxon's abortive excursion into electronics.

Nevertheless, the 1990s find Shell scientists heavily engaged in information technology. Beckers believes IT will have an enormous impact not only in its 15 laboratories but throughout Shell's operations, from finding and recovering oil to managing its process plants. One project is to develop a robot endowed with artificial intelligence that will drill for oil, avoiding the need for people on the drilling floor, where 60 per cent of the oil industry's accidents occur.

One of Shell's eight research laboratories, known as KSEPL, at Rijswijk near The Hague, is devoted to exploration and production.Its manager, Jan Doets, is a civil engineer recruited by Beckers two years ago. Beckers then asked him, as part of a strategic plan for research, to looks at mathe*matics and IT from the stand*point of the whole company.

Doets says the KSEPL laboratory has a world lead in some computer techniques for modelling geological strata, such as three-dimensional seismic modelling of oil reservoirs. Quantitative understanding of the behaviour of oil in a basin – how much is coming from the source rock – has only been possible during the last decade, says Bruce Levell, who leads a team of 15 in mathematical modelling.

The oil industry, obliged to turn increasingly to marginal fields, can no longer afford the primitive geological modelling methods of the past, says Mark Budding, who specialises in basin modelling. It must have enough understanding of its resource to know when it can recover more from a field.

His Monarch software is a 3-D seismic model which Shell operating companies have been using for only a few months. But in the North Sea's Brent Field it has begun to pinpoint the pockets of oil that have been left behind. It can also identify such features as an underground river, best avoided when drilling.

The colourful 3-D model can be used at all stages of a field's life – to evaluate the number of wells required, for example, and to manage oil flow. It can be constantly updated. KSEPL has also developed its own workstation for the more effective interpretation of this model, that allows the geologist to organise and present his data efficiently. "It's hi-fi imaging – just a glimpse of the future," one geologist says. It is also attracting great academic interest.

"We're not there yet – there's still a lot of work to make it user-friendly," admits Budding. But he claims it to be a "cultural change" for the geologists, and one that gives Shell a worthwhile lead over other companies, including the software houses specialising in resource modelling.

As the model is further refined it will take account of the oil basin's fine detail – structure, porosity, cracking, etc. Computer capacity is a limiting factor, even though the laboratory is equipped with a Cray XMP and is spending about £4m a year to expand its computing power.

IT has been a major factor in restructuring the biggest of Shell's central laboratories, KSLA in Amsterdam, specialising in chemistry, during the 1980s. The big pilot plants which once dominated this site have given way to fewer, smaller, but automated plants, and widespread use of automated micro-reactors. Results now flow much faster, says Dirk van der Meer, its manager, who says he is reaping the benefit of the investment made by Alan Abbott, his predecessor. More than 1,000 of its 1,400 staff have direct access to electronic mail.

Beckers is constantly reminding his scientists that the £450m Shell spends is a minuscule proportion of the world total on R&D, and they must keep constant watch for relevant results from elsewhere. At KSLA, Richard de Vries is the manager responsible for weighing the relevance of emerging technologies to Shell and its research programme.

He also helps decide when it is time for the laboratory to push something out to the customers. He is aware of how science can create its own barriers to exploitation by wrapping the emerging technology in an impenetrable jargon.

He has been organising Shell conferences that try to identify and round up the academic experts in an emerging technology for meetings with KSLA staff. He wants the dons as critics, picking holes in the research programme. Other Shell laboratories participate. Shell fosters the belief that technology transfers most efficiently through people and word-of-mouth.

For example, both KSEPL at Rijswijk and Shell's research centre at Sittingbourne participated in one conference which spanned the science of computer-aided molecular modelling, and concluded that "the future of computer graphics in industry and academia is bright and assured."

As manager of eight central research laboratories, Beckers has the unusual freedom of being able to shift whole teams between laboratories and even between countries. A case in point is his smallest but most rapidly growing laboratory at Arnhem in the Netherlands, to which teams from Britain and Amsterdam have recently moved.

Billiton Research Arnhem (BRA) is dedicated to materials – metals, ceramics and blends of the two – and to uprating old industries with new knowledge, says Leo Halvers, its new manager after five years in Shell's planning department in London. BRA began life as a works laboratory for tin and lead smelting, and was acquired when Shell bought Billiton, the Dutch metals group, in 1970.

Commercially, Billiton differs from the traditional Shell culture inasmuch as in most metal activities Shell is part of a joint venture in which another firm with its own R&D is the operator. But the factor that is being recognised increasingly by Shell's partners is that through BRA they can access the whole of SIRM, Beckers' R&D empire. Halvers points to the influence Shell's chemical engineering is already having on new ideas for materials refining. "If we play the game well, this laboratory will flourish."

A previous article on Shell's R&D activities appeared on November 22.

Finding an antidote for an industry's poor health

Tim Dickson explains why Europe's biotechnology sector thinks Brussels is giving it an unfair deal

No one denies that biotechnology has developed faster in the United States than in the European Community. But opinions differ sharply as to why it should be so.

Earlier this year, for example, a group of leading biotechnology companies including ICI and Hoechst ruffled feathers in Brussels by accusing the EC authorities of "political hostility" towards the sector. They produced figures purporting to show that new commercial investment in the EC almost dried up in 1989 as business headed for the US.

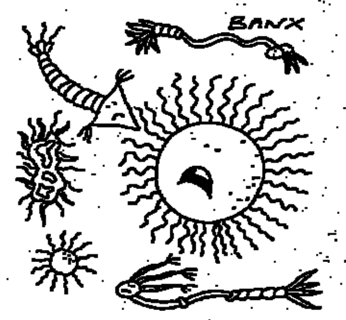
Now the European Commission in the form of Laurens Jan Brinkhorst, director general of the powerful Environment Directorate, has hit back. In an interview with the FT he insisted that EC regulation "cannot be made the scapegoat for the somewhat slower development of biotechnology in Europe" and cited factors such as greater capital availability, a wider scientific and technological base, and better intellectual property protection which have aided companies in the US.

Describing industry's lobbying campaign as "facile and factually incorrect", Brinkhorst turned the argument on its head to maintain that the "absence of regulation in the past" has been partly responsible for European ills.

Biotechnology is seen as a potentially huge contributor to economic growth and company profits even if the rosier payback expectations have been pushed back to the 21st century. Concern, however, has been expressed about the risks which the widespread use or release of genetically modified organisms (GMOs) could pose to human health and the environment in general.

Given the complexity of the issues and the gaps in scientific knowledge, the EC takes the view that a case-by-case examination and an environmental risk assessment is required, both where the release is "contained" (in a scientific laboratory) or "deliberate" (where a new product is being made and marketed). This is seen in Brussels as all the more urgent where the release is deliberate – since the organisms are designed to survive and replicate in the environment at least for a certain period – but not unimportant for contained releases where there is always a danger that GMOs may escape into the natural environment by mistake, by waste disposal, or by other means.

The object of most of the fuss has been the legislation adopted by the EC earlier this year intended to manage these risks. Involving a national approval procedure for contained use operations, and



"I HOPE WE DON'T GET GENETICALLY MODIFIED TO SPEAK WITH AN AMERICAN ACCENT."

Community approval procedures for deliberate releases, the new rules have been vigorously attacked by the industry. Criticism is directed at alleged duplication of testing but the main gripe is that the EC regulatory systems concentrates on the process used for making a biotechnology product rather than on the product itself.

Brinkhorst, a former state secretary for foreign affairs, is at pains to reject all suggestions of EC hostility as well as any mutterings of a divided Commission "house". He says that regulation is only one influence on the development of biotechnology and points out that some industrialists argue it is only "a small part provided that regulation is predictable, broadly reasonable and stable".

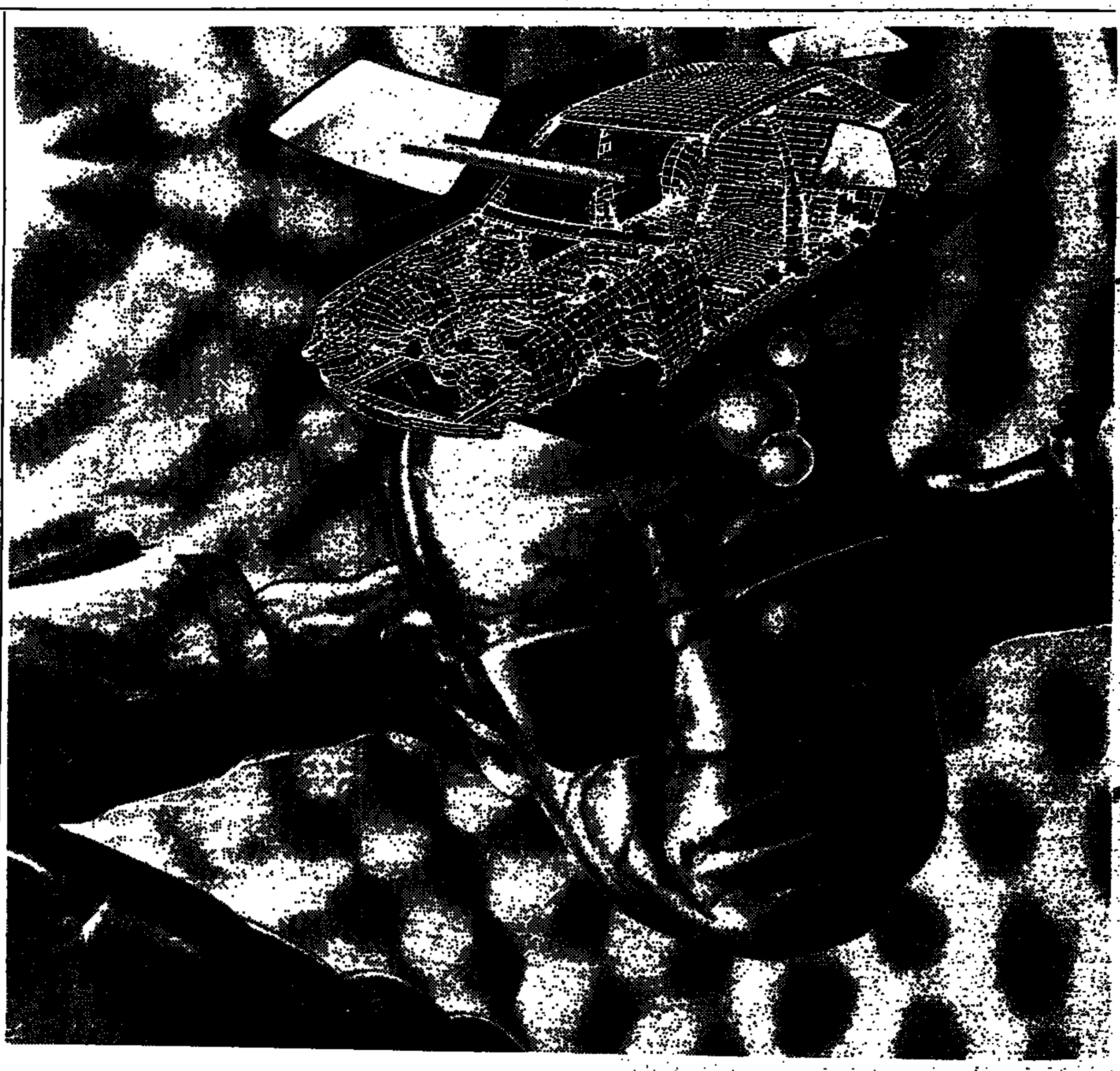
Brinkhorst reminds critics that the two "offending" directives were only adopted in April and have yet to come into force. Far from being a step backwards the new legislation provides an EC framework and clarifies the situation in Germany, Denmark and the Netherlands where the release of GMOs were either banned or very difficult. "The EC approach is moderate – between the strict moratorium in some northern member states and the legislative vacuum in some southern countries," he explains.

Contrary to what is claimed, Brinkhorst says, the US has an extensive system of regulation "which focuses on the process of genetic modification as well as on the product, just as we do". The difference between a horizontal EC law and US laws "is not the focus on GMOs nor the methodology or assessment – it is simply an administrative one. They have made special rules for GMO evaluation under existing laws – we made a new law. The result for industry is the same".

The Commission also counters assertions that biotechnology companies are deserting the EC in favour of more sympathetic North American pastures. Taking the number of field tests of GMOs as "one important indicator", he presents a picture of Europe on an almost equal par with the US. The approximate figures up to mid-1990 were US 115, EC 110, and Japan 1.

Brinkhorst further insists that "there is no denying the special safety problems associated with GMOs". He contrasts the current preventative EC approach – "acting before the event rather than afterwards" – with the different philosophy in Brussels when the nuclear industry was getting into its stride.

Brinkhorst says it is up to industry to be more "positive" though he promises that the Commission will try to improve its co-ordination. Promotion of biotech will come from better national and EC research policies, an intellectual property protection system and more availability of capital and incentives for investment.



ARTS

CINEMA

Terminal passions

THE SHELTERING SKY
Bernardo Bertolucci

THE COMFORT OF STRANGERS
Paul Schrader

COME SEE THE PARADISE
Alan Parker

A cult novel is a fearsome thing. Paul Bowles's *The Sheltering Sky*, the tale of an American couple who bring their wounded marriage to North Africa, has lain in wait for film-makers for 45 years. The book is a strange mixture: part desert melodrama, complete with intrigue, death and seducer tribesmen, part whopping dose of postwar existentialism. Someone once called it Camus on a camel.

Now the novel has reached out from its hiding-place and grabbed film-maker Bernardo Bertolucci. Who better, it no doubt thought, than the director of *Last Tango In Paris* and *The Last Emperor* for this tale of terminal passion in a photogenic land. Coming to Tangier, Port (John Malkovich) and Kit (Debra Winger) throw off their callow young travel companion (Campbell Scott) early on; then they hit the desert trail, jolting on by bus or truck into a purging inferno of flies, mud villages, cholera and finally death. In the novel's last chapters Kit the survivor goes on a mind-annihilating sexual assault course with an assortment of Tuareg tribesmen.

The book rises to bizarre heights here, seeking some ultimate rhyme between sex and death. The film, alas, goes into a tailspin. Instead of putting us inside Kit's head as she seeks in blind carnal submission a companion oblivion to her husband's, Bertolucci and cameraman Vittorio Storaro exteriorise the story with travel-brochure shots of the desert. In 70-millimetre the Sahara swells and swirls. There are golden flanks of dune clothed in a drifting chiffon of wind-swept sand; there are moonlit oases like pools of molten silver. We gasp at the visual mastery of Storaro, even as we lose all hold on the inner mysteries of Kit.

Indeed the whole film turns into a fight between Bowles's philosophical humanism, lent a passionate sweaty grace by Malkovich and Winger, and Bertolucci's penchant for spectacle-at-any-price. This penchant so blanded out *The Last Emperor* that mercantile Hollywood, barely recognising the film's Maoist noises, gave it nine Oscars.

The acting is magnificent. Malkovich's Port is a serpentine soul seeking a way into the dark: all but sloughing his worn sun-cracked skin as he travels on, his sibilant, patient voice transforming writer Mark Peploe's dialogue into spoken thoughts. Winger is better still as the anxious, superstitious Kit. Clutching at material things as if to a lifeline – a lover's body, a bowl of soup, a hatbox – she writes quiet, fathomless panic into her whole being.

Bertolucci never inhabits the story as convincingly as his stars. He seems caught between Hollywoodising Bowles's novel by playing up plot, spectacle and comic relief (Jill Bennett and Timothy Spall as a flamboyantly odious mother-and-son duo) and "Europeanising" it with avant-garde grace-notes. Bowles himself is required to pop up here and there as observer-narrator, but the cameos are so brief that the device seems at once portentous and perfunctory.

What is left is a infuriating film, full of pieces of greatness that never coalesce. Bertolucci still has his poetic eye. It allows him to create cunningly lyrical camera movements, mixing zoom and track, that chime with the push-pull attraction of the story's search for oblivion; and to develop intriguing leitmotifs, mirroring the book's mood of spiritual vertigo, like the recurring shots of walls and ledges overlooking abyss-like voids.

Indeed even as the film perches on the brink of its own unhappy final section, it gives us one unforgettable scene and image. Harrowed by cholera, Port dies in a white bare room in a Foreign Legion fort, the floor veined with a jagged crack that runs under his pallet and up the wall as if it is passing through the heart itself.

Magnificent acting: John Malkovich and Debra Winger in Bertolucci's 'The Sheltering Sky'

*

More on the perils of foreign travel in *The Comfort Of Strangers*. Director Paul Schrader and screenwriter Harold Pinter turn Ian McEwan's original novel into an even more original movie. In a tale that starts weird and gets weirder, Natasha Richardson and Rupert Everett are the young English couple adrift in Venice and Christopher Walken and Helen Mirren are the older Venetians who offer their palazzo as a home-from-home. Free beds, free food, free talk, and for the privileged guest free death....

It is *The Sheltering Sky* reflected in a bloodstained Venetian hour-glass. Comical, sinister, baroque, the tale glides through atavistic alleys as if through the veins of Venice's own history. Blood-red sunsets tinge Moorish cupolas; black gondolas bow and scrape in the water. And when our two English lovers, unfed late at night, stumble on a white-suited stranger (Walken) who offers wine at his local bar plus conversation and childhood memories, how can they refuse? And how can they resist a second meeting, or a third, when it seems that the stranger is also having a rejuvenating effect from afar on their own love-play?

Pinter's screenplay weaves the horror around his characters like a spider's web. As scripted and acted, Walken's madness is so filigree that we hardly notice it until it starts to catch the light and brush our faces. (Too many speeches about his domineering father; too many hints from Mirren about his sado-masochistic love play). And Schrader's direction, leading the Armani-dressed elegance of *American Gigolo* up the aisle towards the high Gothic of *Cat People*, has a beautiful macabre precision. He blends Gianni Quaranta's sets and Dante Spinotti's photography to create a Venice clotted with stylish claustrophobia.

That the film has been attacked by many critics hardly surprises. Escorted from refinement to slaughter in the company of four opaquely written characters, many will feel understandably bemused. But look, listen and feel: this is a film to bring your critical Ultrasound equipment to. Search for the subtle human pulse and movement inside Richardson's nervous humour and Everett's stiff-necked English ironies. (They are a package-tour Port and Kit, bravely trying to turn an Adriatic away-week into a second honeymoon). And marvel at Walken's distrait performance; capricious, hypnotic, irresistible, as full of outer show and inner decay as Venice herself.

Alan Parker's *Come See The Paradise* is the week's third film about the horrors that await strangers in a strange land. But this time, though history has helped to write the story, subtlety and credibility are elbowed aside by sentimentality. Music of syrupy uplift slides over the tale of a three-generation family of Japanese immigrants who are bundled off to a camp in Northern California during the US crackdown after Pearl Harbour. Twinned with their fortunes are those of hero and Irish-American union sympathiser Dennis Quaid, who marries into the clan.

Sweeping over ten years, the movie has love, heartache, indignation, separation and spectacle. In short no expense has been spared; or almost none. The only economy, as often when writer-director Parker tackles a historical *cause célèbre* (see *Mississippi Burning*) is with the truth. Mr P manages the astounding feat of mentioning Pearl Harbour only once, in a virtual aside, during the 2¼-hour movie.

Since anti-Japanese feeling in the US was almost wholly attributable to this event, in which more American personnel died than in the whole of the first world war, it is surely worth a prominent place in the dramatic equation?

But no. Parker slaloms elegantly past, preferring to bash away generically at the iniquities of Uncle Sam and America's alleged xenophobia. Sentimentalising every character in sight and stuffing his story with more tearful farewell and reunions per second than any film in memory, Parker clearly believes the way to an audience's political arousal is through his Kleenex consumption.

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Best of the rest in an overcrowded week is *The Big Picture* (15, Cannon Tottenham Court Rd): a Tinseltown satire starring Kevin "Flatliners" Bacon as an aspiring film-maker undone by venal producers, epicene agents and damsels in distress. From the man who brought you *This Is Spinal Tap* – writer Christopher Guest, here turned writer-director – a comedy whose crunchy exterior makes up for a softish centre.

Love Hurts (15, Cannons West End) has a soft centre and a pretty sticky exterior. Jeff Daniels mugs valiantly as the about-to-be-divorced yuppie whose sister's wedding inspires lovable family chaos and second marital thoughts. Winsome but watchable. Neither adjective applies to *Repossessed* (15, Cannon Haymarket). Here Linda "Exorcist" Blair lends her revolving head and pea-soup-disgorging talent to a diabolical (in all senses) spoof. Writer-director Bob Logan provides the jokes and Leslie "Airplane" Nielsen is among the stars vainly looking for them.

Nigel Andrews

No One Sees the Video

ROYAL COURT THEATRE UPSTAIRS

Martin Crimp is a talented playwright whose characters tend to talk in short single sentences with the occasional monologue and who are much given to pauses. In the text to his earlier play, *Dealing with Clair*, there is a note saying that "the much overworked indications 'pause', 'slight pause' et cetera have been replaced throughout by a single comma on a separate line. The exact duration of any hiatus must be determined from the context".

Plainly the pauses are almost as important as the words, and the technique is to show that the characters are talking to conceal that their thoughts are limited, or simply to fill up a void.

Dealing with Clair involved people selling a house and feeling guilty both about the asking price and then about reneging on an offer. *No One Sees the Video* centres on market research, in which Crimp once worked. Here, too, there is a vague sense of guilt and menace in the background. For market research depends on asking questions, and once you start asking them, there is no telling where they may lead. Besides, however great their initial resistance, people tend on the whole to provide answers.

In putting the questions, however, it is important to distinguish between a "prompt" and a "probe". A prompt is virtually telling someone what to think; a probe is a genuine question. It is also possible to get hooked on probes, which essentially is what happens in *No One Sees the Video*. Liz, strikingly played by Celia Imrie, is initially the subject of market research, then becomes a researcher herself. Even when a young man is fingering her with an intent to make love, she notes that he is a C2 manual worker.

The play has some dreadful clichés like: "We all turn into the kind of people we used to despise", and there is considerable harping on the need to fill the void that Crimp seems to suggest lies behind most people's existence. It is never actually stated that market research is bad or amoral, yet one cannot help thinking that such an assumption is there just beneath the surface. Liz's daughter, Jo, calls it manipulation, though presumably that is what the probe rather than the prompt is meant to avoid.

Leaving those reservations aside, the piece has its moments. It is at its best when questions are being asked, such as those put to a rather garrulous girl who responds with questions of her own such as: "Why, whenever you put any money into a chocolate machine, you don't get any chocolate out?" The same girl associates Woman's Weekly with a T registration Ford Cortina.

There are some touching scenes between mother and daughter; the performance by Emer McCourt as the latter beautifully catches the mood of a sometimes sulky, sometimes dreamy adolescent. But in general this is a slight work by someone who has it in him to do much better. It has one of the most inconsequential endings you are likely to see. The direction is by Lindsay Posner.

Malcolm Rutherford

Celia Imrie and Stephen Tompkinson

Sophie! The Last of the Red Hot Mamas

NEW END THEATRE, NW3

So here we are again, back in the boudoirs of fame. The spotlight this time belongs to the American vaudevillian Sophie Tucker (1888-1966), louder, loucher and larger than would seem possible in the diminutive New End theatre, once the Hampstead mortuary. With every successive biographical show – and there have been a good few – I wonder if I am alone in breathing a heavy sigh. All too often it is a chance for someone to create a musical without having to bother about the music.

Bernard Kops brings to his portrait of the massy Jewish showgirl a whiff of the sensibility familiar from his other plays, notably his name-making *Hamlet of Stepney Green*, revived at this theatre a couple of years back. Where Tucker was broad, brassy and of the moment, Kops is a sentimentalist who peoples his plays with ghosts.

His Sophie, though hardly wraithlike, is a creature of half acknowledged regrets, of identity semi-submerged in the tide of ribaldry. Born en route from Russia to the US, she abandoned her child in favour of fame and a lonely old age. The key image, which opens and shuts the show, is a pool of glitter dust illuminated in a spotlight, and you don't get much more schmaltzy than that.

Eve Ferret brings to the title role an appropriately voluminous presence. Her voice looms rather than soars into all the old favourites, from the high sentiment of "My Yiddisher Mama" to the roguish "Never let the same dog bite your twice". This is apt enough, although one suspects her movement, lumpen and splayed, is unfair to Tucker's memory. Carnality is one thing, but the woman who prided herself on giving big girls back their dignity would surely have worked harder on her own.

Her back-up comedy duo of Jon Rumney and Freddie Earle make a point about the Jewishness of American vaudeville humour. It is a nice touch that both should be older and smaller than Sophie, but their act, like the whole of Chrys Salt's production, needs to be tighter and slicker if it is to provide even the antepenultimate word on the Red Hot Mama.

Claire Armitstead

White Heat

SADLER'S WELLS

Dan Wagoner is shortly to leave London Contemporary Dance Theatre, of which he has been artistic director for the past two years. His farewell gift to the company is the strong and often stimulating *White Heat* which formed the centre of LCDT's first programme in its autumn season.

The score is Bartók's fourth string quartet, whose tensions have inspired in Wagoner an imagery concerning bodies anxiously traversing the stage's space. William Ivey Long provides a jet-black setting across which a thin white line gradually – oh, so gradually – extends, the dancers in creamy outfits with ballooning trousers, while a contrasting group of four girls are in long dresses.

Movement responds to the nervous energy of the score with action no less taut and hard-driven. Wagoner shows his two conflicting forces moving over the stage in opposite directions – the argument of the piece is no more than that – but the simplicity of the theme has allowed him to create dances where the interest of dynamics and extending lines of activity fascinatingly interact.

It is a "painterly" piece in that, as with an abstract canvas, our attention is held by the swirls and convolutions of the brush strokes, as by the texture of the pigment itself. There are hints and murmurs of more explicit emotional drama, which centre upon the figure of Paul Liburd, who often seems separated from his companions.

But *White Heat* is, in essence, an assured piece of plotless dance, magnificently performed by a cast who surge and curve through the movement, by turns pugnacious (the dance is often vehement) or buoyant.

The rewards in Jonathan Lunn's *Goes without saying*, which opened Tuesday night's programme, escape me. Made last year, it proposes what I assume is a duplex apartment – excellent set by Peter Mumford – whose upper room contains a girl having a neat little nervous breakdown with a chamber ensemble in melodious attendance, while downstairs, a group of dancers madly gesticulate. Perhaps that's why the poor girl's nerves are in shreds – she is given to Anglo-Saxon attitudes at a half-open door. It is odd, and oddly uninteresting.

The evening ended with Paul Taylor's *Clown Kingdom*, looking a little dated now – Taylor has exhaustively mined its "beast in man" vein – but tremendously performed, with every sequence luscious in dynamics. LCDT's artists continue to provide dancing of magnificent power and glossy ease: their style and skills merit every praise.

Clement Crisp

Orfeo

QUEEN ELIZABETH HALL

Ah, those were the days of state subsidy. For the first performance of Luigi Rossi's *Orfeo* in 1647, no expense was spared. The court in Paris saw a grand and glorious presentation, mounted in a hall within the palace that had been specially enlarged for the occasion and with scenery prepared by some 200 men, a six-hour extravaganza of marvels to behold.

The opera had six performances, but has not previously enjoyed any modern revival. William Christie and Les Arts Florissants have determined to change that and *Orfeo* was chosen as the subject for the most important of their three visits to London this autumn. It was heard in concert performance on Tuesday, without sets or costumes, but with the addition of a few winks and nudges in the direction of acting, which would have been better left aside.

As it happens, this is not the only 17th-century opera to beexhumed this year. At the Glasgow Early Music Festival we hadMarazzoli's *La vita humana*, a less crucial work historically, though on the evidence of these two outings a more entertaining one. To what extent that is due to the Marazzoli having been fully staged, it is difficult to say; but *Orfeo* failed to give the same impression that every scene and character had something special to offer.

That its score is the richer of the two is probably not open to doubt. William Christie is fast gaining the reputation of a Midas among early music interpreters, who can touch any phrase and turn it to expressive gold. Under his direction all the music in this long evening (over four hours) had its rewards, especially the many duets and trios, unusual for an opera of this period, that are beautifully written for the voices.

When Les Arts Florissants appeared at Greenwich with *Dido and Aeneas* recently, it was the orchestra rather than the singers that was the main source of delight. In *Orfeo*, I would go further and say that the singers fell some way behind what Christie was achieving with his instrumentalists, despite good performances from Agnès Mellon as Orfeo, Sandrine Piau as Aristaeus and Jean-Paul Fouchecourt, a marvellously irascible old woman.

Nevertheless, Rossi's work provides one of the formative chapters in the operatic literature and fully deserves a modern evaluation. The rediscovery of 17th-century opera has come a long way. Now we are ready for the next step: the chance to see the operas where they belong, on stage, in a theatre of the right size, with all the stage machinery, the ballets and Cupids descending from the heavens. But who will pay?

Richard Fairman

ARTS GUIDE

November 23-29

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. Burlington House (287 9579).

Paris

Grand Palais. Simon Vouet (1590-1649). Also, Picasso. Closed Tue, late closing Wed.
Louvre. Euphronios, painter and potter in the 6th century BC in Athens. Open from 12am to 10pm, except Tue (40205166).
Galerie Daniel Malingue. Maîtres Impressionistes et Modernes. 26, ave Matignon (42 66 60 33). Open all days except Sun, Mon mornings and lunchtimes.
Musée Marmottan. Goya. Rue Louis Boilly. Closed Mon (42240702).
Galerie Maurice Garnier. Bernard Buffet – La Bretagne. 6, ave Matignon (42256165). Closed Sun, Mon and lunchtimes.
Musée des Arts Decoratifs. Panoramic wallpapers. 107, Rue de Rivoli (42663214), closed Mon, Tue. Ends January 21.
Haboldt and Co. Old European masters. 137, rue du Fbg. St Honoré (42895881).
Galerie du Carrousel. 19th century French masters. 11, quai Voltaire (42611075). Closed Sun and Mon.
Galerie d'Art Saint Honoré. The Magic of Flemish Art. 267, rue Saint-Honoré. Closed Sat, Sun; ends November 30 (42601509).

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique. Closed Mon.
Galerie Isy Brachot. An exhibition to celebrate its 75th anniversary: contemporary paintings.
Galerie de la CGER. The Belgian Dynasty and Belgium's cultural Development. Daily.
Palais des Beaux-Arts. Five million years: The Human Adventure. Daily ends December 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of modern paintings. Closed Mon.
Musées Royaux d'Art et d'Histoire. Evolution and decline of the Inca culture. Closed Mon.

Madrid

Centro de Arte Reina Sofia. Italian art 1900-1964.
Fundacion Juan March. Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz.
Museo del Prado. The Cambo Legacy.
Museo Espanol de Arte Contemporaneo. Life in Spanish homes seen through the works of artists over a 500-year period.

Barcelona

Museo de Arte Moderno. Modernism as "total art".
Museo Picasso. The last 20 years of Picasso's artistic life.

Rome

American Academy: Giovanni Battista Piranesi.

Milan

Castello Sforzesco. Treasures of ancient Peru.

Venice

Palazzo Grassi. Van Gogh to Picasso – from Kandinsky to Pollock.

Frankfurt

Staedel Museum. From Picasso to Max Beckmann and Amseln Kiefer. Schaumainkai 63.

New York

Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals.
Museum of Modern Art. High and Low: Modern Art and Popular Culture.

Washington

National Gallery. Anthony Van Dyck masterpieces.

Chicago

Art Institute. Ed Paschke - 47 of the painter's day-glo portraits and landscapes.
Chicago Historical Society. A House Divided. America in the Age of Lincoln.
Terra Museum of American Art. Winslow Homer in the 1890s. 664 N. Michigan Av.

Tokyo

National Museum. Works to mark the accession of the new emperor. Closed Mon.
Hara Museum. Developments and directions in Japanese art.

Azabu Museum of Arts and Crafts. Ukiyo-e prints and paintings of flowers and birds from the Rockefeller collection.
National Museum of Western Art. William Blake. Closed Mon.
Setagaya Museum. Treasures of the British Museum. Closed Mon.

SALEROOM

Blake makes top price in manuscript auction

One of the 25 copies of Blake's *Songs of Innocence* in which the plates had been coloured by the poet, sold for £220,000 (at the top of its estimate) at Christie's yesterday. A century ago this slim, seventeen page volume with 31 relief etched plates, went at Sotheby's for £41. Yesterday it was the top price in a manuscript auction which brought in almost £1m in the morning session with 23 per cent unsold.

A Shakespeare first folio,which has great collectable value because in the late 17th century it belonged to another famous dramatist, William Congreve, sold for £104,500, at the bottom of its estimate, to the London dealer Quaritch. Printed in 1623, and with some loss of pages, it carries the signature of Congreve and his comments on several plays, including *As You Like It*.

A collection of letters by Philip Larkin to his old school friend Colin Gunner, written over many years in the 1970s and 1980s, sold within forecast at £3,850.

Sotheby's had problems with 19th century pictures which totalled £1.4m in the morning session, but with 36 per cent unsold. The only encouraging note was the presence of Japanese dealers and private buyers, lured in by the lower reserves. Even so the top price of £269,500, paid for a river scene by Corot, was still well under the £300,000 low estimate.

A street scene of Berlin in the 1920s by Max Liebermann went for £93,500 and "The Death" by Alma-Tadema, showing a classical hero naked on his death bed, went just above target at £74,800.

The Chinese market is suffering from the general malaise, with dealers thin on the ground. Sotheby's auction in New York on Tuesday was 38 per cent unsold at $1.2m. (£600,000). Two family collections did rather better, in particular the early Chinese art acquired by one of the leading contemporary Chinese artists, C.C. Wang. The 56 lots brought in $2.3m (£1.17m), with only 7 per cent unsold. A Tang horse, 29 cm high and long, sold comfortably above forecast at $528,000 (£267,000). The 59 piece Koger collection totalled $1.9m (£965,000), but was 26 per cent unsold. A rare blue and white bowl with the Xuande mark, (dating it to around 1430 when Ming was at its best), selling for $451,000 (£228,000), at the bottom of its estimate.

Antony Thorncroft

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
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Last chance for Gatt talks

MINISTERS gathering in Brussels this weekend for the final meeting of the Uruguay Round of multilateral trade negotiations bear an awesome responsibility. Their choices will make or break the four-year effort to adapt the rules of the trading system to modern-day reality and so determine the fate of the international trading system as a whole.

The Uruguay Round will not solve all problems, but it does offer an opportunity to construct a comprehensive set of rules for trade in the 1990s. Unless the right decisions are taken in Brussels, that opportunity will be lost.

Agreement must be completed by March 1, the date on which the "fast track" authority granted by the US Congress expires. The idea that Congress might be prepared to extend the deadline is wishful thinking. This deadline means that that there will be no time left after the meeting in Brussels for anything other than wrapping up the final details. The political decisions needed to complete the Round have to be taken next week.

What is required is a balanced package that would compensate each participant for the political – not, it should be stressed, economic – sacrifices it must make. Developing countries, for example, will agree to new rules on trade in services, on intellectual property rights and on investment only if they obtain increased access to markets for their textiles and farm products.

The package must be balanced, but it will not now fulfil the lofty ambitions laid out in 1986. Nevertheless, the final deal would have to be very unsatisfactory to be worse than no deal at all.

Quiet progress

Quiet progress in Geneva means agreement to liberalise trade in textiles may now require only a modicum of political will. Also essential is an end to the impasse in negotiations on anti-dumping and investment, both of which are central to the international maintenance of competition. But agriculture and – to a lesser extent – services remain the linchpins. If deals can be struck here, the rest should fall easily into place.

The EC must know by now that its offer to cut farm support by 30 per cent is unacceptable to the bulk of its trading partners. It must improve on this offer in three ways. First, it should make binding commitments on specific policies. The US may be going too far when it insists that export subsidies should be cut faster than domestic supports, but it is right to insist on specific commitments. Second, the EC must abandon the demand for "rebalancing". Especially when it offers only modest cuts in overall support, the EC cannot expect agreement to increased protection for oilseeds and corn gluten feed. Third, it should promise to extend its cuts in support from 1996 until the end of the century.

These changes are in the EC's own interest. Mr Helmut Kohl, the German chancellor, has resisted them for reasons of electioneering. But he should look for other ways of providing income support to Bavarian farmers. That would break the Franco-German axis which is doing so much to convince the EC's trading partners that it is, indeed, the fortress they all feared.

US recognition

At the same time, the US must recognise that it cannot have a successful Round while clinging to unilateralism. In particular, a general agreement on trade in services (Gats) can only be obtained on the basis of non-discrimination. Of all countries the US should understand this since it was the principal supporter of the ideal of unconditional non-discrimination in trade policy.

With a more rational approach on the part of the major trading powers, it should still be possible to reach agreement. That agreement would be far from perfect. It would fall short of expectations and leave much to be done in subsequent rounds. Nevertheless, a successful outcome to the Round would be a signal achievement, both for what would be obtained and and for what would be prevented.

Success would ensure that, for the first time, internationally agreed rules cover all of world trade. Agriculture and textiles would at last be brought into the General Agreement on Tariffs and Trade. Meanwhile, new arrangements covering services, intellectual property and investment would be added. Success would also do much to prevent the rapid escalation of trade disputes and, quite probably, the progressive erosion of already agreed rules. It would, in short, prevent a return to the laws of the jungle.

Is it conceivable that such gains might be sacrificed and such risks be run for the sake of inefficient farmers in the EC and grasping service providers in the US? That thought is unthinkable. It is up to the leaders of the world's major trading powers to ensure that it remains unthought.

Not bad for day one

BRITAIN'S new prime minister, Mr John Major, has made a promising start in his first 24 hours in office. Taken together, the senior cabinet appointments announced yesterday evening confirm that it is his intention to unite the party while at the same time building a team of sufficient competence and attractiveness to win the next general election. He has set about fulfilling this aim with some skill: the net result is a government that should help to dispel the myth that he is a mere captive of his predecessor's more devoted followers. While the stewardship of the economic departments has not greatly changed, it is self-evidently an administration of his own making.

The most ecumenical of the appointments is that of Mr Michael Heseltine as the new secretary for the environment. This is a clear signal to Tory party workers that the internecine strife that may have been set off by campaigns to deselect Mr Heseltine's erstwhile supporters is not acceptable to the new leader of the party. It also puts a formidable figure, the man whose challenge brought Mrs Thatcher down, on the spot. For it is Mr Heseltine's new department that will have primary responsibility for reviewing the poll tax. His long-standing opposition to this absurd impost is widely known. He has had four years in the political wilderness to think about it. Provided that he comes up with a viable alternative, his appointment should please the voters.

Delicate appointment

The most delicate appointment is that of Mr Norman Lamont as chancellor of the exchequer. Mr Lamont's rise to prominence has been as spectacular as that of Mr Major himself. The new chancellor was made chief secretary to the treasury and thus a member of the cabinet only last year, following three years in the lesser post of financial secretary. He was Mr Major's campaign manager in the leadership contest. He has so far acquitted himself well. He is a sound money man; he really believes in reining back public expenditure. The new cabinet will have to balance its wish to appear kinder and gentler against what it perceives to be the limits of the public purse. Mr Lamont's stance as perhaps more of a Euro-sceptic than the prime minister may send a signal to the European Community that there will be some hard pounding at the forthcoming EC inter-governmental conference on monetary union; on the other hand it will go some way to placate the Bruges tendency within the party.

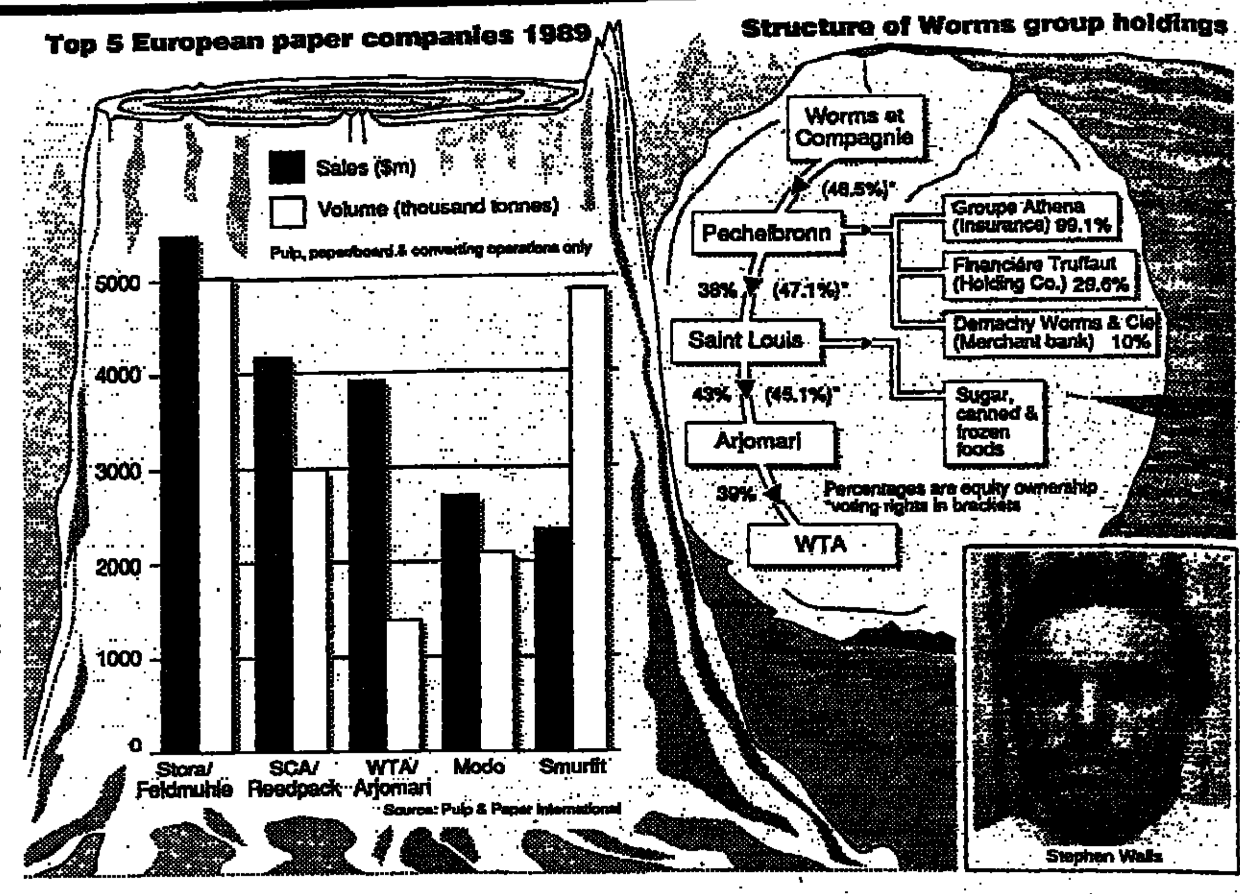
Party chairman

The most imaginative appointment is that of Mr Christopher Patten as chairman of the party. Mr Patten is the soft and progressive face of the Tories; he is associated with a strong streak of environmentalism that should appeal to the young. His inevitably frequent appearances on TV from now on should prove of greater assistance to the party in the run-up to the general election than were those of Mr Kenneth Baker. As home secretary, the latter's task will be to propel the criminal justice legislation initiated by Mr Hurd and improved by Mr Waddington through the commons. He need not adopt a high profile in doing so.

Mr Major's other rival in the leadership contest, Mr Douglas Hurd, remains in place as foreign secretary, as do a number of other ministers. This has limited the extent of the reshuffle. None the less, the new prime minister has succeeded in changing the look of the cabinet; he will move to the middle and junior-ranking appointments today.

John Thornhill on a complex and controversial merger which will create Europe's third-largest paper group

Paper chase: the quest for optimum size



Stephen Walls

Mr Stephen Walls, the sprightly chairman and chief executive of Wiggins Teape Appleton, the largest UK-owned paper company, is a man more bid against than bidding.

As the former finance director of Chesebrough-Pond's, the US toiletries group which was taken over by Unilever in 1986, and the former managing director of Plessey, the electronics company which was dismembered by General Electric Company and Siemens last year, Mr Walls knows what it is like to be on the receiving end of a takeover bid.

When WTA was demerged from BAT Industries and floated on the London stock market this June, many industry observers said it would not be long before Mr Walls would be in a similar position again.

Despite joining the FT-SE 100 all share index with a market value approaching £1bn, WTA was too small to survive, they said, and was bound to fall victim to one of the Scandinavian or North American giants that dominate the world paper industry.

But five months later, Mr Walls startled the industry with a complicated merger deal with Arjomari-Prioux, the French paper maker, which was overwhelmingly approved yesterday by WTA's shareholders. If Arjomari's investors also give their assent on December 21, the merger will increase WTA's size but will indirectly hand a 39 per cent controlling interest in the company to Worms et Cie, the French financial group.

The new group will become the third-largest paper company in Europe with combined sales of about £2.5bn. It will also emerge as the dominant player in the merchanting and distribution segment of the industry.

Although there have been suggestions that the deal is motivated by a wish to prevent WTA being taken over, Mr Walls argues vehemently that its purpose is rather to ensure its survival as a viable paper company.

He says that in order to make satisfactory returns for its shareholders, WTA had, from the outset, been compelled to consider increasing its size and that the proposed merger with Arjomari represents an outstanding opportunity to achieve this goal.

WTA's desire to expand certainly mirrors developments in the past few years. The European paper industry has been swept by a wave of mergers and acquisitions as companies have attempted to bolster their financial strength and broaden product ranges and markets.

Earlier this year, Svenska Cellulosa (SCA), the Swedish pulp, paper and packaging group, completed a £1.05bn takeover of Reedpack, the UK paper and packaging company. This was preceded by a burst of acquisition activity which saw Stora, SCA's Swedish rival, buy Feldmühle Nobel of Germany for DM4bn (£1.4bn); Kymmene, of Finland, purchase Chappelle Darblay for FFr1.3bn (£135m); and Fletcher Challenge, of New Zealand, acquire UK Paper for £299m. International Paper, the US group, has been investing heavily in Europe through acquisitions. In 1989 IP bought Aussedat-Rey, the French paper company, for about $325m and acquired the Ilford photographic products division of Ciba-Geigy. It later bought a majority stake in Zanders Feinpapiere, the German paper company.

The chief factor driving these deals has been the need for companies to become big enough to be competitive.

The cost of investment can be enormous – capital expenditure on a new pulp mill can amount to $1bn – and those companies that have the financial strength to spend such sums enjoy greater economies of scale than their smaller rivals.

Advantages of size also accrue in terms of market penetration and geographical spread as paper companies have been increasingly keen to widen their activities globally to protect them from downturns in particular regional markets. According to Mr Bo Wergens, head of the Swedish Pulp and Paper Association, "in the 1990s we shall most probably see more competition from other continents. Every market will open up and national boundaries will be torn down.

"In this industry it is most important to be financially strong and it is hard for middle-size or small companies to succeed in the necessary restructuring and in setting up new factories and new machines," he says.

The rationale for the WTA/Arjomari merger is not to gain economies of scale in manufacturing – there is unlikely to be significant rationalisation among the new group's mills – but rather to obtain greater strength in the market. Unlike most of the big Scandinavian and North American producers, which make commodity grades, such as newsprint, in an integrated operation from pulp to finished paper, WTA and Arjomari specialise in higher added value products. Most of their mills are non-integrated; they buy pulp on the open market. Indeed, WTA is in the process of selling its interest in a pulp mill in Portugal.

Wiggins Teape Appleton, with a production capacity of 800,000 tonnes a year, is the biggest producer of carbonless paper in Europe and the US and is a sizeable player in watermarked business stationery and the thermal papers markets. Arjomari, which has a production capacity of 620,000 tonnes, is a leading producer of coated and fine papers as well as technical and industrial papers.

The extent of the value-added nature of the two companies' paper products is demonstrated by the price. The average selling price for papers in Europe last year was £613 a tonne compared with £1,242 a tonne for WTA and £1,118 for Arjomari.

But just as important as producing these high-value-added products is the ability to distribute them. The merged group will derive about 40 per cent of its business from merchanting and distribution, giving it a 17 per cent share of the £6bn EC market. Stora-Feldmühle will be the second biggest player with a 10 per cent slice.

Mr Walls believes that this will give the group a big advantage in gaining access to markets. "Most of the other major players in Europe are going to feel very uncomfortable about this deal," he says.

But the Scandinavians, at least, are relaxed. Asked if the WTA/Arjomari merger would pose a threat to the Scandinavian paper companies, Mr Wergens of the Swedish Pulp and Paper Association, said: "I hope so. That is what competition is all about. We shall have to improve as well."

Capitalism, French-style

Guy de Jonquières on the merger's unusual structure

Few of WTA's institutional shareholders dispute that the planned merger with Arjomari-Prioux will be good for the company. But though they approved the deal yesterday, many are less sure that its complex and unusual structure also makes sense for them.

Standard Life, the insurance company, which owns 1.9 per cent of WTA, opposes the merger although it accepts its industrial logic. "We would have been much happier if this had been a straight takeover," says Mr John Thomson, Standard Life's senior investment manager.

For many UK institutions, this is their first brush with capitalism, French-style. It does not seem to have inspired great confidence that Anglo-Saxon notions of "shareholder value" and market transparency are widely shared across the Channel.

The deal will give Worms et Cie, the secretive family group which controls Arjomari, control of 39 per cent of the merged group in exchange for handing over Arjomari's assets.

Some WTA shareholders say the deal is short-changing them by denying them the "control premium" which Worms would probably have had to pay had it bought its stake on the open market. They also fear Worms could end up pulling strings at the new group to suit its interests.

Mr Walls concedes that "there is some element of control associated with a 39 per cent shareholder". However, he insists that its management will be independent, and that he and his colleagues have gone to "extraordinary lengths" to safeguard other investors' interests.

The merged company will be headquartered in London and managed by a team headed by Mr Walls, with Mr Pierre Dufournier, currently president of Arjomari, as his deputy. The finance director will be Mr Tony Isaac, also from WTA.

The board will be "well-balanced", Mr Walls says. Chaired by Mr "Cob" Stenham, a former finance director of Unilever, six of its 11 members will be British. Mr Walls also stresses that Worms' overriding interest is in maximising the returns on its investment. If Worms decided to increase its stake, the terms of the agreement with WTA would virtually oblige it to bid for the entire company, he says.

Equally, he says, though Worms has supported its other investments over the long term, it would not rule out selling its WTA/Arjomari stake eventually at the right price. "Worms' motivation would be very definitely to sell to the highest bidder," he says.

It is outside shareholders in Arjomari – the larger ones include several French unit trusts – who would seem to have the most grounds for complaint. They are due to vote on the deal on December 21.

Not only has the company's share price fallen 13 per cent since the deal was announced. But shareholders are due to receive newly-issued WTA shares worth roughly £500m in exchange for Arjomari assets which Mr Walls says would have a market value of more than £1bn.

Furthermore, though Worms effectively controls 45 per cent of Arjomari's voting shares, these are owned through a "cascade" of holding companies, in none of which Worms holds a majority (see chart). The structure will enable Worms to control 39 per cent of WTA after the merger, though formally its stake will amount to less than 3 per cent.

These arrangements – which would be regarded in London as thoroughly undemocratic – have raised barely a whimper of protest from outside shareholders. "I am enormously pleased that this deal has come about," says Mr François Simonnet, director of investments at AGF, the insurance group, which owns 10 per cent of Pechelbronn, Worms' principal holding company.

His enthusiasm is all the more striking because AGF opposed the price at which Pechelbronn sought to buy out outside shareholders last year when it turned itself into a société en commandite par actions. This is a form of limited partnership which keeps predators at bay by making it almost impossible for shareholders to sack the management.

Some ascribe French investors' acquiescence in the deal to an enlightened long-term view. But others blame it on ignorance. "People who invest in these 'cascade' companies do not understand what they are doing. If they lose out, it's their own fault," says one Paris stockbroker.

But once the financial details are settled, can the merger be made to work? Sceptics point to the unhappy record of CMB, the industry's only other example of Franco-British co-operation. A packaging joint venture between Carnaud and Metal Box, CMB has been rocked by management upheavals since it was formed in 1988.

Mr Walls rejects the comparison. He says the WTA/Arjomari merger has been assembled much less hastily than CMB, and that its businesses will prove easier to integrate.

He says WTA and Arjomari share the same strategic objectives and management philosophy, combining a large degree of autonomy for their operating divisions with strong financial controls. The financial systems recently introduced at WTA will be extended to the merged group.

"In many ways this is a pioneering transaction," Walls says. "There may be precedents, but I haven't come up with one . . . It's a trailblazer."

Other research by Will Dawkins.

OBSERVER

Honoured in absence

■ Now even triple-ulcer executives are commonplace, the acme of conspicuous pressure of work must be being too busy to collect one's Nobel Peace Prize. President Gorbachev, whose absence from the award ceremony on December 10 was confirmed by the Nobel Institute in Oslo yesterday, is the eighth winner since the Second World War not to be honoured in the flesh.

Of the rest, three had no say in the matter. Lech Walesa in 1983 and Andrei Sakharov in 1975 were not so much busy as otherwise engaged. UN secretary-general Dag Hammarskjöld died between the announcement of the award and the ceremony in 1961.

The remaining postwar absentees were President Sadat of Egypt in 1978 (his joint-laureate Menachem Begin arrived), Henry Kissinger in 1973, the missionary doctor Albert Schweitzer in 1952, American peaceworker Emily Greenebalch in 1946, and US statesman Cordell Hull the year before.

Winners who miss the ceremony are not exempted from delivering their prize lecture, which they are supposed to give in person within six months. But only two have done so – Greenebalch and Schweitzer – and even they were late, both delaying until two years after receiving their award.

Gorbachev may prove more dutiful. Although the institute has refused his request to have the award ceremony postponed until May, it hopes he will turn up then to lecture.

Smurfit poser

■ Much head-scratching is going on in Dublin about why Michael Smurfit, head of the Jefferson Smurfit paper and packaging empire, has decided to become involved in Brent Walker.

One of Ireland's cannier businessmen, he is not known for risk-taking. Buying about 25 per cent of a £100m bond issue designed to rescue Brent Walker from the financial mire seems, on the face of it, to go against the Smurfit way of doing things.

He always said he would stick to the paper-box business, but in recent months has been diversifying into leisure in a big way. Two of his projects representing around £30m investment are a luxury country club outside Dublin (membership fee about 100,000 Irish pounds), and an executive fitness centre adjacent to group HQ in the city.

His company says it wants to develop further leisure interests in Ireland with Brent Walker. Some Dublin analysts, however, feel Smurfit could turn predator and snap up some of Brent's more valuable UK assets.

No one doubts Smurfit's financial clout. The company is by far the the biggest outfit on the Dublin stock exchange, accounting for about 20 per cent of the total market.

Michael Smurfit, who owns about 5 per cent of the company, is also chairman of Telecom Eireann, the Irish phone service, keeps race horses and is head of the Irish Racing Board. In his spare time he doubles as Irish Honorary Consul in Monaco.

Outclassed

■ Kenneth Clarke, Britain's education secretary, was in fighting form at the Institute of Directors' annual dinner.

Let no-one be misled into thinking that the late 1980s were a few years of nasty medicine which could now be forgotten, he warned his audience of 1,500 businesspeople and spouses crammed into the Great Room of the Grosvenor House Hotel. People must

"I'll be glad when we have a classless society - I never could stand the poor."

retain their ability to earn money, create jobs and wealth.

Fairly recently promoted from the health department, the education secretary also treated his audience to a brisk run-down of government policy on matters such as the national curriculum and vocational training. "Too many of our young people cease education at the age of 16 and try to take up work when they are ill-prepared and ill-trained for today's jobs," he declared.

Perhaps Clarke, a Cambridge graduate who supported Douglas Hurd for the Tory leadership, was reflecting that one of those "too many" had just become UK prime minister.

Sundowner

■ Meanwhile, John Major's elevation to the premiership was a cause of a special celebration in a pub in the small New Zealand town of Taupo.

Pensioner Fred Howes bought his mates a round of jugs of beer to drink to the new PM. Howes is the uncle of Norma Major, and was delighted his nephew-in-law had done so well.

After recalling how he dined with the Majors during a visit to Britain some years ago, he proposed a toast to the acclaim of his fellow drinkers. It was: "To the British Empire."

Divided still

■ East/west prejudices continue to prevail over united nationalism in Germany, to judge from a couple of flights with Lufthansa.

On the Airbus from Berlin to New York, a map of Europe repeatedly flashed on cabin tv sets showed the country still split in twain by a heavily drawn border. None of the German passengers seemed to notice, let alone take offence.

Asked about the error, a surprised stewardess smilingly replied that the computer had apparently not yet grasped the new situation. The oversight seemed the more remarkable because Lufthansa chief Heinz Ruhnau was a leading force in getting the state-owned airline back to serving reunified Berlin last month, after a 45 year absence.

Another incident soon before landing at east Berlin's Schönefeld airport on the return flight, reflected a widespread bias among west Germans. A businessman was overheard telling a colleague about how lazy the east Germans had become under socialism. He'd been goaded into rebuking one slothful east Berliner by asking him whether he had wanted unification.

Ironically, the complaint appeared justified when, after the landing, a red-faced Lufthansa employee apologised for the airport's delay in returning passengers' baggage.

Verdict

■ What is the difference between a lawyer and a rat, both lying dead on the road?

There are skid marks in front of the rat.

ECONOMIC VIEWPOINT

Major faces slump with silver lining

By Samuel Brittan

Mr John Major got off to a flying start as prime minister by replacing Mr Bernard Ingham as press secretary with Mr Gus O'Donnell who was with him at the Treasury. O'Donnell is what some people would regard as a contradiction in terms – a civilised economist. What was the most dubious aspect of the Thatcher regime could become one of the best aspects of the Major one. At least I shall no longer have to urge members of the Chicago futures markets to read The Sun newspaper to understand the governance of Britain.

The prime minister will, however, know full well about the changes in the economy since when he last pronounced on it as chancellor. He conceded when he introduced the Autumn Statement on November 8 that the UK might be in recession. He will soon discover that it is the second most severe recession since the second world war, which some people will want to call a slump. Just as the mainstream forecasters wildly underestimated the boom, they have done the same with the slump.

The best assessments, such as those of the Confederation of British Industry, are based

The sharper than expected recession may be the best thing that could have happened to the British economy

on what is actually happening. The CBI November monthly industrial trends survey shows the balance of respondents expecting a fall in the volume of output as the highest for a decade. At 23 per cent it is not yet as bad as in the 1981 slump, when it reached 41 per cent. But the bottom is not yet in sight.

The CBI's own forecasts show a fall of 1 per cent in real Gross Domestic Product in 1991. By the second quarter of 1991 – the forecast low point – the CBI envisages non-oil GDP down by 2.2 per cent on a year before. Manufacturing is expected to fall by 4.5 per cent.

As the last few trade figures have demonstrated, export growth has slowed (although not as much as import growth) and the CBI survey suggests that there is worse to come on this front.

The sharper than expected recession may be the best thing that could have happened to the British economy. With the modest slowdown foreseen by the mainstream forecasters, inflationary pressures would have persisted; and policy might have had to be tightened further after the election. Now, however, as Gavyn Davies of Goldman Sachs points out, there is a very good chance of the headline inflation rate falling to 5½ per cent by the end of 1991 and 4 per cent in the course of 1992. The more important indicator of unit labour costs should also be halved by 1992. Already the engineering unions have called off their campaign for shorter hours to preserve jobs. This surely suggests some underlying improvement in the labour market. For in previous recessions the knee-jerk union response would have been just the opposite.

Even this anti-inflationary silver lining will however be suspended in the likely event of a Gulf war, which will intensify both recession and inflation worldwide. Any slight residual gain for sterling as a petrocurrency will be more than offset for the UK by the resulting deterioration in the world conjuncture.

A sharp UK downturn cannot, however, be followed by an equally sharp recovery. For the margin of slack needs to be higher than in recent years. The severity of the recession does at least mean that output growth can afterwards be allowed to return to its trend rate – put by the Treasury at 2¾ per cent per annum for non-oil GDP. (The ICI chairman, Sir Denys Henderson, may thus be too gloomy about the post-recession outlook.) But if the mainstream forecasters had been right, we would have looked forward to a long period of sluggish growth with policy having to lean towards restriction most of the time.

In any case, unemployment will be replacing inflation as the number one headline UK problem. Those who see a simple correlation between government popularity and the mortgage rate will be in for a shock, as unemployment climbs to 2m-2¼m.

An early reduction in base rates to 13 per cent is built into the structure of rates. Further moves – which could be in either direction – will, however, be determined by events in the Gulf and the behaviour of sterling within its ERM band. UK influence in Europe will be increased if the margin around its central rate can be credibly narrowed from 6 to the normal 2¼ per cent by or before the next Budget. So will the scope for interest rate cuts. Action to add credibility to ERM membership will be more important than the exact nuances of the British government's position at the Intergovernmental Conference on Monetary Union this December.

Another looming problem is the impact of German reunification on ERM parities. The absorption of the former German Democratic Republic could turn out to be a rare example of a textbook real shock which justifies a parity change. The shock comes from the need of Germany to run down its export surplus to free resources for reconstruction in the east, and to do so without letting inflation rise to more than 3 to 5 per cent per annum at its temporary peak.

It would be better if the switch were brought about by some combination of higher German savings and taxation and near-zero inflation among the country's trading partners. The latter would provide for a real DM revaluation without changing nominal parities.

But it is not too early for contingency plans to minimise the setbacks to European monetary stability arising from a realignment. The one convincing approach would be to make it clearly the last realignment before monetary union itself, which would be announced for an early date, say, 1994-95.

Not everyone will be able to take part so early. The change of UK premiership offers a chance to accept a two-speed Europe in a friendly, non-alarmist way. There need be nothing hostile in the Schengen group of Germany, France and the Benelux countries (with or without Denmark and Ireland) going ahead, while leaving the door open for others to join as soon as they can.

The dollar is another smouldering problem. Already, its weakness is posing inflationary problems to the US; and three members of the Fed Open Market Committee voted against the easing of US monetary policy in the last published minutes. There is a growing need to reinstate Group of Seven surveillance of world demand and exchange rate movements, with more emphasis on domestic monetary adjustments and less on intervention than at the time of the Plaza and Louvre accords in 1985-87.

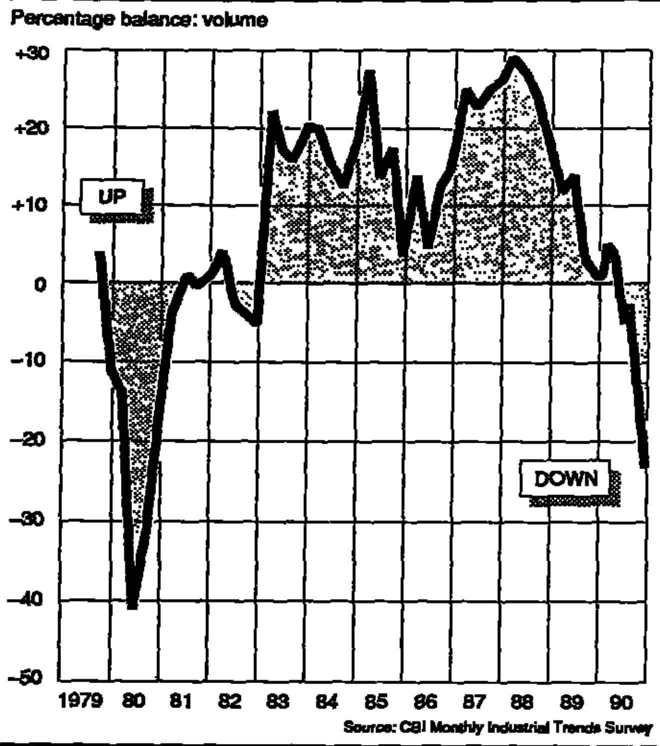
These are, however, comfortable problems, compared with those arising almost immediately from the Gulf. So far, the oil markets have been slow to discount the imminence of a showdown. But Sheikh Yamani's Centre for Global Energy Studies envisages the oil price averaging more than $70 per barrel in the first quarter of 1991 in the context of a "short destructive war". The centre believes that the oil price could peak at $100.

There are, of course, many other possibilities. Saddam could back down before the proposed January 15 ultimatum. The US and its allies could wake up to the need to use their strategic oil stocks to stabilise the market; and even the Yamani war scenario shows the oil price back below $30 by the end of 1991. But it is not the worst that could happen. Wars rarely turn out as envisaged and this one could be destructive but not short. Or the settlement could be partial and messy. Most of the macro-economic projections seem to me to play down the risks to the world economy.

In cold-blooded economic terms, a shooting war in the Gulf will sharpen the V-shape of the present recession, making it deeper but also producing a rise in measured inflation, both worldwide and in the UK. At the same time, it will steepen the subsequent recovery and make the eventual drop in the headline inflation rate all the more sensational. None of this will console the wounded and the families of the dead.

Expected trend of manufacturing output

Percentage balance: volume



Source: CBI Monthly Industrial Trends Survey

BOOK REVIEW

A small-screen view of a communications genius

IN ALL HIS GLORY: THE LIFE OF WILLIAM S PALEY
By Sally Bedell Smith
Simon & Schuster $29.95

William Paley, who died aged 89 last month, was for more than 50 years the supreme figure in American broadcasting, first in radio, then in television. The son of immigrant Russian cigar merchants from Chicago, he took charge of a fledgling radio network called CBS in the 1920s and created a huge communications empire which became a barometer of American taste and popular culture.

Paley's is one of the great American success stories of the 20th century. Not only was he an innovator in production, sales and public relations; he was also a genius of the mass entertainment business, spotting (or more often stealing) talent such as Lucille Ball, Jack Benny, George Burns, Gracie Allen and Red Skelton from his great rival, NBC. Under his stewardship, CBS ranked as the broadcasting leader of the post-second world war era.

Today, CBS has become a symbol of the decline of American network television. Once a trend-setter, CBS now rides along with the rest of the pack; and all the time audiences are slipping away. The network's one distinguishing feature – the news division – once brimming with talents such as Ed Murrow, Eric Sevareid, Charles Collingwood and Walter Cronkite, has seen six division presidents ousted in the past 10 years. Now it plays to the uneven tune of Dan Rather, the overworked anchorman with the oversize salary. What went wrong?

Sally Bedell Smith, a former New York Times media reporter and author of several books on American television, spent five years researching this exhaustive biography; but she makes little effort to connect the decline in CBS's fortunes and Paley, who hung around too long at the top, was too proud to designate a successor, and who eventually lost his company to the dull Mr Larry Tisch (whom he once, in a deliberate slip of the tongue, called "Larry Kitsch").

Instead, Bedell Smith presents us with another of those "intimate" biographies which delve shamelessly into the subject's private life in an effort to reveal the real man behind the supposed myth. Well, after 675 interviews with some 275 people, she has ended up stripping away so much myth that poor old Paley is left with his trousers round his ankles.

No doubt Paley was petty, domineering, egocentric and selfish. He was also adept at exaggerating his own role in CBS's success, to the exclusion of other important executives. But Paley was also a visionary, someone who could not only survive in the volatile world of broadcasting but shape it. As David Halberstam remarked in The Powers That Be, his masterly book on the American media, written in 1975, Paley "had almost perfect pitch in terms of entertainment".

William Paley: network giant

Paley was a man of immense energy, someone who could pursue The Deal as relentlessly as he could pursue The Skirt (something which he managed well into his eighties, according to the author). He would wear people down with his persistence and charm. He wanted to be number one, forever. The scene which best captures Paley is when he made a dramatic entry to a CBS board meeting in April 1987 in his wheelchair, one hand clasping the black cane known as Arnold after the silver dog's head on top. "His will," whispered one CBS director to another, "is the only one that reads, 'If I die'."

Paley also had a good feel for journalism, despite some carping by Bedell Smith about his tendency to meddle and offer opinions on who would make the best anchor. The truth is that Paley intervened remarkably little in the presentation of the news – compared, say, with the likes of William Randolph Hearst. More than most, Paley was acutely sensitive to the power of television in its ability to reach a mass audience in the US.

The author describes in wide-eyed fashion Ed Murrow's attack in March 1954 on the communist-baiting Senator Joe McCarthy as "all-out advocacy journalism" which was enormously effective. But she fails to spot – as Paley most certainly did – how this sense of power could encourage journalists to cross the line between news and comment and advocacy. Over time this tendency led to the debacle of the 1982 documentary about General William C Westmoreland and his role in the Vietnam war, which ended in a damaging libel suit and terrible publicity for CBS. The whole story receives a paltry paragraph.

The best parts of this biography come when the author establishes a connection between Paley's dynamism and his creativity. He was endlessly inquisitive, particularly at the beginning of his career in the 1930s and 1940s when he built up his radio network and shared his life with the elegant and erudite Dorothy Paley Hirshon. It was Dorothy who introduced the young, self-consciously Jewish boy to politics, news, fine art and style.

His next partner, Barbara (Babe) Cushing, defined beauty and style for more than 20 years in the US. Babe was best described by Truman Capote, her long-time socialite friend: "Mrs P had only one fault: she was perfect; otherwise she was perfect."

Paley's restless drive to be the best, to remain independent, stands in contrast to the spirit of the 1980s and 1990s when much of corporate America (including CBS) has either succumbed to corporate raiders at home or foreign purchasers abroad. Only this week, Matsushita agreed to pay $6bn for MCA, the Hollywood film studio. Paley would have stood his ground; without his relentless pursuit of excellence and innovation the US is a lot poorer.

Lionel Barber

LETTERS

Competition is the key to success

From Mr Frantisek Nepil.

Sir, I respect Mr Allen Sykes' ("Bigger carrots and sticks", October 31) first-hand experience of underperformance of English speaking countries' corporate governance. He claims the reasons are inefficiency of control and insufficient motivation of directors.

His solutions, however, are not practical. To motivate directors by giving them, every seven years, 5 per cent of equity, would transfer within a century half of all equity capital into their hands. The penalty which he suggests for underachievement is nowhere comparable to this reward.

On the principle that everyone should be rewarded in proportion to the work he does, these directors must surely be supermen. Or is it more that they are in privileged monopoly positions, which they use to extract more and more for themselves?

Are there not different groups of people who, over the last century, have contributed more than business directors have? What about scientists? Since much of our present prosperity can be traced to their achievements, why should they not be as well rewarded?

Surely what is needed is to expose managers' positions to more competition. Give more power to shareholders to change ineffective managements, and let every management contract be won in a periodic open contest. Then the reward of managements for achievement could be safely left in the hands of shareholders, where it properly belongs.

More competition would also improve the performance of investment institutions. This could be achieved by giving the same tax and legal treatment to every type of saving.

At present, companies contribute to individual pension saving schemes at a lower level than into company pension funds; individuals pay CGT and other taxes on savings while institutions do not; the pension transfer values are calculated to secure minimal future benefits and with no regard to the increase in the pension fund surplus while the individual was its member, nor to the contributions made over time on the transferee's behalf.

Also, all savings – and especially pensions – should be made readily portable. Then the institutions could sell their wares only on the strength of their performance. They would quickly develop the expertise to control companies and stop churning clients' investments.

Finally Mr Sykes suggests that funds could be cheaper for companies if banks became dominant shareholders. The implication is that what a bank loses on loan interest it would recoup on increased value of its shareholdings. This argument forgets that banks have to compete for their funds in the retail markets. Any bank that would not engage in subsidising shareholders by lower interest would have a better chance to attract funds because it could offer higher interest on its deposits. Therefore banks cannot engage long term in subsidising one type of finance at the expense of other types and have to judge every proposition on its merits.

The explanation why there is a differential in the cost of funds between the English speaking countries and continentals should be sought elsewhere. The places to look are primarily the government anti-inflation policies, its deficit financing, the tax structure, the size of the state debt, the overall tax take and people's saving habits.

Frantisek Nepil,
Flat 3,
33 Cleveland Square, W2

Jobless adults remain a forgotten underclass

From Mark Corney.

Sir, It is a travesty for the chancellor to suggest that this Autumn Statement is directed at helping the most vulnerable in society when public resources for unemployed people have been so savagely cut back. Once again, a secretary of state for employment has mortgaged Britain's training future and capitulated to the Treasury. And yet again, it is Britain's long-term unemployed people who must take the full brunt of the government's spending policies.

We should not underestimate the significance of this spending settlement. A coach and horses has been driven through the basic tenet which has held Tory training policy together for a decade. The government has repeatedly said the role of the state is to train unemployed people, and the role of employers is to train existing workers. This is no longer the case. The "cash for flexibility" deal struck between the Training and Enterprise Councils and Michael Howard leaves unemployed people in limbo, and a TEC unsure of its role.

However, this should not detract from the real issue. The government is taking a political gamble. It is reasonably confident it can win a fourth term with unemployment hovering around 2m without providing resources to do anything about it. The extra money for YT is little more than an insurance policy. Never again will this government entertain the possibility of a large number of Britain's unemployed youth rioting on our cities' streets.

Meanwhile, Britain's long-term unemployed adults remain a forgotten underclass.

Mark Corney,
Campaign for Work, Annexe B,
Tottenham Town Hall.

Heathrow idea up in the clouds

From Humphrey Wine.

Sir, Mr A.J.Lucking ("Forget Stansted: Heathrow is the key", November 24) proposes an increase in aircraft movements at Heathrow to serve "the businessmen who earn the money to pay for our holiday travel". Using a narrow view of profit and loss, which is itself doubtful, he ignores the environmental input of this proposal and the lack of transport infrastructure to support additional passenger movements. As for a new runway between the M4 and the A4, what about the people who live there? Or will Mr Lucking and his fellow businessmen pay for them to take a long holiday?

Humphrey Wine,
53 Christchurch Road,
East Sheen, SW14

Too little lip will set you right

From T. W. Ray.

Sir, Further to your observation (Observer, November 27) concerning the lack of lips of the candidates for the Conservative party leadership, I would advise you that over the past 20 years I have observed that the majority of successful people in politics, industry and the various professions have no top lip. This observation has in fact developed into a game with my children who look through various newspapers, Accountancy magazine and Accountancy Age magazine trying to spot the people without a top lip. Try it yourself and I think you will be surprised at the results. Also please note that Messrs Andreotti, Mitterrand and Kohl also have no top lip.

T.W.Ray
26 Astwick Road, Stotfold,
Hitchin, Herts.

Bank of Ireland 'fundamentally very strong'

From Mr Michael Meagher.

Sir, An article ("A rivalry that led to forced errors", November 16) by your Ireland correspondent, Kieran Cooke, quoted an unnamed analyst as stating that, in its home market, "consumers might turn their backs on Bank of Ireland". We regard this as an ill-considered suggestion which does not represent the opinion of analysts, the financial community generally or, indeed, anyone who is aware of our strength and reputation.

Despite the difficulties we currently share with most banks exposed to the United States and Britain, Bank of Ireland is fundamentally very strong, with high capital ratios, no exposure to LDC debt and a highly profitable and very well-managed domestic operation. The suggestion that we might "milk" the Irish market in order to compensate for overseas difficulties and thus lose customers demonstrates a lack of understanding of the competitive nature of banking in Ireland and the very high regard in which this Bank is held by its customers.

Michael Meagher,
Chief Financial Officer,
Bank of Ireland Group,
Lower Baggot Street, Dublin

FINANCIAL TIMES
Thursday November 29 1990

INDUSTRY LEADERS BREAK WITH CALVET

Europe's car makers seek unity

By Kevin Done in London and Andrew Fisher in Stuttgart

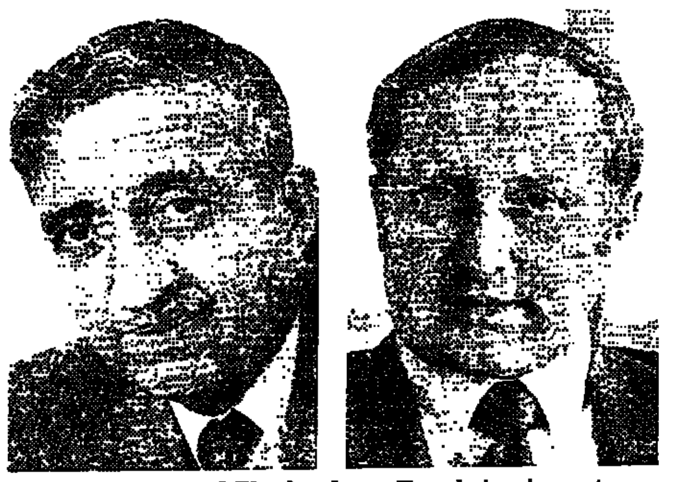
THE western European automotive industry is seeking to unite its lobbying organisations in Brussels to try and overcome mounting frustration among leading vehicle makers at their inability to present a common front to the European Commission.

Earlier this week the chairmen and chief executives of 11 leading European vehicle makers isolated Mr Jacques Calvet, chairman of the Peugeot group of France, by resigning from CCMC, the Committee of European Community Automobile Makers. This was designed to open the way for a merger with CLCA, the Brussels-based liaison committee of European auto industry trade associations.

It is understood that negotiations are already at an advanced stage. But these had been placed in jeopardy at Tuesday's CCMC meeting in Paris by the insistence of Mr Calvet, the most vociferous opponent of Japanese car imports in Europe, that CCMC should maintain the principle of unanimous decision-making.

The other 11 members, including Mr Edzard Reuter, chairman of Daimler-Benz, Mr Eberhard von Kuenheim, chairman of BMW, Sir Graham Day, chairman of Rover, Mr Raymond Levy, chairman of Renault, Mr Umberto Agnelli, vice-chairman of Fiat, and Mr Pehr Gyllenhammar, chairman of Volvo, wanted to introduce voting by a qualified majority.

In the face of Mr Calvet's veto, the other 11 members resigned.



Jacques Calvet and Eberhard von Kuenheim: imports row

Mr Eberhard von Kuenheim, the longest-serving European motor industry leader and a founder of CCMC in 1972, has been given the task of creating the statutes for a unified organisation.

Such a grouping could combine the functions of CCMC and CLCA, thereby representing the European motor industry with a single voice.

It is intended that a single secretariat would be created in Brussels. Non-EC owned car makers such as General Motors and Ford of the US – which have substantial European operations – and Volvo and Saab-Scania of Sweden, would be invited to join.

Peugeot could rejoin the new organisation, but only if Mr Calvet would accept majority voting.

Mr Edzard Reuter, chief executive of Daimler-Benz, said yesterday that the disbanding of CCMC reflected differences of opinion over the treatment of Japanese car imports.

There was disagreement over the length of transition towards the complete lifting of import controls in some countries.

"We thought that the transition period should be no longer than five years at the most," said Mr Reuter.

"Mr Calvet did not really want to hold to that agreement, and tried to convince everybody that the period of transition should be 10 years at least, with no definite end."

He said that Daimler, the producer of Mercedes-Benz cars and commercial vehicles, would be happy to see the abandonment of limitation on Japanese imports, but had agreed with the majority CCMC view in order to achieve consensus.

According to one motor industry leader, the isolation of Mr Calvet and Peugeot is a response to his repeated blocking of industry initiatives, not only on the issue of Japanese imports, but also on matters such as emissions and safety regulations, as well as common vehicle specifications.

The chairman of one car maker claimed that the industry's lobbying in Brussels had been "emasculated".

At Tuesday's meeting, Mr Calvet had been "his usual self – charming, absolutely charming, unfailingly polite and occupying more speaking time than any other five or six members together.

"Most who know him in France would say he is successful because he is so stubborn and determined. But in a trade organisation that is not very productive."

The CCMC meeting took a 15-minute break in which members decided that, in the face of the Calvet veto, they had no choice but to resign.

One industry leader said that the emotion of participants after the meeting was "a mixture of relief and exhilaration, to be able to do something positive for the industry at a European level for the first time in a pretty long while".

Yesterday, Peugeot said that Mr Calvet had no comment to make.

Britain, Syria restore diplomatic relations

By Victor Mallet and Ivor Owen in London

BRITAIN and Syria are restoring diplomatic relations immediately after a four-year break, Mr Douglas Hurd, the UK foreign secretary, announced yesterday.

Mr Hurd said Syria had confirmed that it rejected acts of international terrorism and would take action against the perpetrators when there was "convincing evidence".

Damascus had also promised to make strenuous efforts to obtain the release of western hostages in Lebanon, he told parliament.

Britain broke off formal diplomatic ties in 1986, after Nezar Hindawi, a Jordanian, was convicted of trying to plant a bomb on an Israeli airliner at London's Heathrow airport, using his Irish girlfriend as an unwitting carrier.

Britain says the Syrian embassy in London helped Hindawi. Syrian officials say they were lured into the plot by the Israeli secret service, but Syria's critics say it would not have been interested unless it was involved in terrorism.

Although the terrorism issue has not been resolved to the complete satisfaction of London or Washington, the need for a firm western-Arab alliance against Iraq has smoothed the way for better relations.

"It has not been entirely easy," Mr Hurd said, adding that the British government had received a confidential Syrian report on the Hindawi affair. Mr Hurd told critics that recognition of a regime did not indicate approval.

The resumption of ties will improve the prospects for Britain's hitherto modest trade with Syria. British Airways wants to regain the right to overfly Syria. Avoiding the country to reach other destinations costs the company dearly in time and fuel. An eventual resumption of direct flights between London and Damascus is also likely.

For its part, Syria is anxious to improve its international standing following the end of cold war and the loss of unquestioning support from the Soviet Union.

Last month Britain blocked a European Community proposal to lift the remaining EC sanctions against Syria, which include surveillance of diplomats and Syrian airline staff and a ban on arms sales.

Referring to a proposed UN resolution expected to impose a January deadline for Iraq to withdraw from Kuwait, Mr Hurd advised those living in eastern Saudi Arabia, Bahrain and Qatar not to bring their children over from Britain during Christmas.

He said: "This does not mean that we foresee hostilities around that time, but it is sensible to minimise the number of dependents when we are entering such a critical phase."

Mr Gerald Kaufman, UK opposition spokesman on foreign affairs, said the proposed terms of the UN resolution would fulfil the conditions laid down by the Labour party for the use of force against Iraq.

He sat in silence as a number of Labour backbenchers made renewed demands for negotiations to achieve a peaceful settlement.

Mr Hurd maintained that the UN resolution was intended to clarify the military option and provide a period of grace in which the pressures for a peaceful solution could reach their height.

US angry over farm demonstration call

By William Dullforce in Geneva and Tim Dickson in Brussels

THE US yesterday complained to the European Community about a statement by Mr Louis Mermaz, French agriculture minister, encouraging EC farmers to demonstrate at next week's meeting of world trade ministers in Brussels.

The complaint reflects tension building up over farm reform. It is an issue that could precipitate the collapse of four years of trade-liberalising talks in the Uruguay Round of multilateral trade negotiations.

Mr Mermaz said on Monday that the farmers' demonstration would help the Community resist pressure for deep cuts in farm subsidies. EC farmers plan a massive rally outside the exhibition complex in which the trade ministers will meet.

The US recognised a citizen's right to demonstrate, a US official said yesterday. But, he added, encouragement from a government member to create a hostile atmosphere at an international meeting raised questions about the spirit in which farm talks were being conducted.

Mr Mermaz and other French officials have insisted publicly that the EC's offer of a 30 per cent reduction in domestic supports cannot be improved. The US and the Cairns Group of 14 leading farm exporters want cuts of 90 per cent in export subsidies and 75 per cent in internal supports and border protection.

The US complaint was made verbally to Mr Tran Van Thinh, head of the EC mission to Gatt. An EC spokesman said that, while the mission was not responsible for statements by ministers of member states, the complaint had been passed on to Brussels.

In Brussels, Mr Frans Andriessen, the EC's external relations commissioner, hinted that the EC might budge further on farm reform. This would depend on other countries making new trade concessions in services where the US wants to retain the right to discriminate against foreign suppliers.

All parties should adopt a spirit of compromise, he said, although, the EC's "margins of manoeuvre (on agriculture) are small".

A political breakthrough was badly needed next week if the current impasse in the talks is to be broken.

Much of Mr Andriessen's pitch yesterday was aimed at the US. "There have in the last few years been some rather excessive interpretations of the ideas first expounded at Punta del Este (the Uruguayan resort where the Round began in 1986)," he said.

"Some of these are just unrealistic and can't be done. The notion of getting rid completely of agricultural subsidies which has poisoned the negotiations has been and will be rejected".

Mr Andriessen insisted that "the direction (of farm reform) is more important than percentages".

Uphill to the summit, spotlight on Brussels, Page 4

ICI to double environmental spending

By Clive Cookson in London

ICI, the British multinational, is to double environmental spending to £1bn ($1.96bn) worldwide over the next five years.

The leader of the UK chemicals industry aims to reduce the output of all harmful wastes by at least 50 per cent over the same period.

Sir Denys Henderson, chairman, announced the group's new environmental objectives, which follow "an intensive year-long review of environmental performance worldwide", in London yesterday.

Although only half of ICI's manufacturing is carried out in the UK, most of the spending will be directed at its British plants, particularly those in north England which are generally older and dirtier than the overseas facilities.

Any new ICI plant "will be built to standards that will meet the regulations we can reasonably anticipate in the most environmentally demanding country in which we operate that process," Sir Denys said. That will most often mean adopting standards from the US, the Netherlands or Germany, according to Mr Chris Hampson, ICI director responsible for environmental policy.

ICI's environmental performance has lagged behind the three German chemical groups, BASF, Bayer and Hoechst.

"In terms of actual performance I think we have to say that the German companies are a step ahead of us, though that's partly for historical reasons," Mr Hampson admitted.

"Each of our three German competitors has a large central plant on the Rhine, which makes it easier for them to install comprehensive waste treatment facilities than for us with our more decentralised facilities."

The group's environmental spending has risen from £50m in 1985 to an estimated £125m this year and a planned average of £200m annually from 1991 to 1995.

That will be more than 20 per cent of total capital expenditure, which is being cut because of the recession.

"Environmental performance is not a matter of choice. It is a precondition for ICI to remain in the forefront of the chemical industry," Sir Denys said.

Mr Tim Birch, toxic waste campaigner for the environmental group Greenpeace, gave the initiative a grudging welcome.

"It is a step in the right direction, but ICI is simply doing this because of the government commitment to cut discharges into the North Sea," he said. "Even if ICI halves the amount of wastes it dumps, it would still be the largest single water polluter in the UK."

Conference report, Page 2

Singapore's new premier lives in the shadow of Lee

By Joyce Quek in Singapore

GOH Chok Tong, Singapore's new premier, paid tribute to his predecessor yesterday during a solemn 35-minute ceremony at the colonial City Hall.

"Few people have done so much for so little return, and fewer still have worked so hard to phase themselves out from the centre of power and actually given up power when the moment came," he said, referring to Lee Kuan Yew, 67, who had stepped down after 31 years in power.

In Lee's long rulehe wrought a world role in trade and finance for the tiny city state. He also developed a reputation for harsh action against internal dissent, and for regulating many aspects of his citizens' lives.

Educated women were the ones most encouraged to have babies, while legal prohibitions cover spitting, smoking in public places and leaving a public lavatory without flushing it.

Goh, 49, is much in the same mould. Previously Lee's deputy, he was responsible for imposing wage restraint, homogenising the population by dispersing racial enclaves, and authorising many arrests of those who were deemed to be Marxist conspirators.

According to Goh, "any successor will find the shoes he has left too big to fill. I do not intend to wear his shoes: I will wear my own and set my own stride."

After the swearing-in of his 14-man cabinet before President Wee Kim Wee, the new prime minister promised programmes to equalise opportunities and preserve social harmony. He described his aim as creating a more gracious, cultured nation while ensuring continued economic growth – which is currently faltering.

But if any prime minister sets off this week with a forceful back-seat driver at his shoulder, it is Goh.

Lee's new role as senior minister without portfolio in the prime minister's office, second in seniority, allows him to contribute at cabinet meetings, focus on those issues he wishes to, and dispense with routine.

He still holds the powerful secretary-generalship of the ruling People's Action party.

Boom falters, Page 6

Major unveils his cabinet

Continued from Page 1

Mrs Margaret Thatcher, meanwhile, said her final farewell to Downing Street with the comment:

"It has been a tremendous privilege to serve this country as prime minister – wonderfully happy years... Now it is time for a new chapter to open".

The new prime minister made room to promote two younger ministers to the cabinet by moving Mr David Waddington, 61, to the post of Leader of the House of Lords in place of Lord Belstead.

Mr Waddington's post as home secretary was taken by Mr Kenneth Baker, the former party chairman.

Overall, the new cabinet, with Mr David Mellor, 41, appointed to replace Mr Lamont as chief secretary to the Treasury and Mr Ian Lang, 50, appointed as Scottish secretary, marks a slight shift to the left.

It was seen as a team that would take a pragmatic approach to policies in the run-up to the general election and which would break with Mrs Thatcher's ideological approach if not with most of her fundamental strategy.

There was some suprise, however, that Mr Major had chosen not to appoint a woman to his cabinet.

Mr Parkinson, whose place at transport was taken by Mr Malcolm Rifkind, was one of Mrs Thatcher's firmest supporters, while Mr Waddington, another senior figure on the right of the party, will see his influence reduced.

Mr Richard Ryder, 41, replaces Mr Tim Renton as chief whip.

THE LEX COLUMN

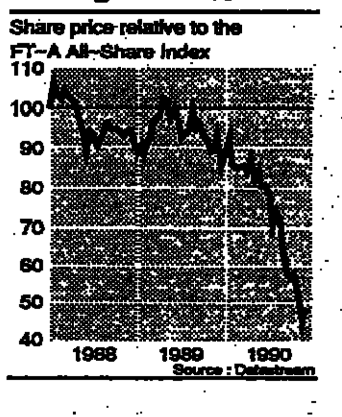
Not a square deal from Trafalgar

With annual results out next Tuesday, this is scarcely the time for a vulnerable company like Trafalgar House to remind investors about an error of judgment. With some of the trade investments which Sir Nigel Broackes has punted over the years, such as French Kier and Tricentrol, it was hard to tell precisely what money Trafalgar had made or lost. This is not so with Trafalgar's disposal of its 8.8 per cent of Costain, mostly bought in the 1987 bull market. Costain's prime attractions are US and Australian coal assets and they are a commodity play, so there was not a self-evident fit with Trafalgar. By selling the Costain stake at £2 per share, Trafalgar House has lost nearly £20m on the deal, even without counting opportunity costs.

Even before yesterday, the stock market was fretting nervously about Trafalgar's state of health and its likely £400m of debt. Hefty write-downs are expected on its UK property developments; and its contracting businesses, with the exception of John Brown, surely cannot be relishing the year ahead. At last night's 174p, Trafalgar is yielding 14 per cent historically. Self-evidently, that suggests not only that it would be unwise for Trafalgar to maintain its final dividend, but that 1991 is going to be a hard grind, too. A deal like the Costain sale will make some investors think Trafalgar is really strapped for cash. Long-term holders may be wondering why they ever let the management take such bets with their money.

Trafalgar House

Share price relative to the FT–A All-Share Index



Source: Datastream

Maxwell

The interim figures from Maxwell Communication confirm the impression of a company which is good at almost everything except its ostensible main business. While markets permitted, Maxwell made a substantial proportion of its profits from dealing in shares and property. It has now declared an interim pre-tax profit of £90.1m, of which over £45m consists of profit from the active management of its foreign currency debt exposure. Adjusting for that and for property, pre-tax profits from operations were down by almost 40 per cent. On the same basis, the increased interim dividend is less than half covered.

On the other hand, this is pretty well taken care of by a running yield of 13.4 per cent and a prospective multiple of under eight. Other companies besides Maxwell – Fisons, for example – derive a material part of their earnings from aggressive treasury operations and a tiny tax charge. Despite the undeniable quality of the company's publishing assets, the quality of its earnings as a whole has always been questionable. Repeatable or not, the treasury profits represent cash in hand with which Maxwell can pay down its debt. As for dividend cover, 65 per cent of the equity is now controlled by Mr Maxwell, who will be taking the scrip alternative.

Life as a minority shareholder in these circumstances will always be for the specialist. It may not belong as a public company, but against the odds, Maxwell looks like a survivor.

Tate & Lyle

Yesterday's full-year figures from Tate & Lyle are chiefly relevant on the assumption that Tate does not succeed in buying British Sugar. The picture then would be an impressive one: five-year compound growth in earnings of 22 per cent, dividend cover rising steadily and balance sheet gearing at 69 per cent compared with 225 per cent 18 months ago. The obvious question is what Tate does for growth if British Sugar is denied it. But given its world position in sugars and sweeteners, there should be reasonable opportunity both in Europe and North America and in the liberalising markets of eastern Europe and the developing world.

A successful bid for British Sugar would cloud the picture considerably. Tate claims it would not pay a dilutive price. Its aim is also to restrict gearing to 175 per cent or so, which would entail a heavyweight equity issue. The deal would bring substantial immediate cost savings and a measure of protection for Tate's UK cane operation. But the eventual price would have to be carefully measured against the undertakings given to the UK competition authorities. In any case, British Sugar could go to another buyer before Tate is even cleared to bid.

At yesterday's 289p, Tate is on a historic yield of 5 per cent and a prospective yield of under nine, assuming only marginal earnings growth this year due to a rising tax charge. British Sugar notwithstanding, this seems reasonable value for a well-managed company. But it is worth recalling that the shares have outperformed the market by 135 per cent in the past decade and 12 per cent in the past year alone.

Hambros

The first thing to be said about Hambros' interim results is that they are rather good. The second is that they have very little relevance to the rest of the UK merchant bank sector. UK equity trading volume may be running 18 per cent down on last year and nearly a third below the heady days of 1987, but Hambros never had aspirations to be an integrated house. Corporate finance activity is in the doldrums, but Hambros is not a big player. It has even made a modest profit on its ill-timed move into estate agency. For once, its rather odd-ball corporate strategy seems to be paying dividends.

However, the really surprising aspect of the results is the 20 per cent jump in the profits of the banking division. Admittedly, Hambros had the benefit of some extra capital and its leasing business has done well. Nevertheless, to make provisions of less than £5m on a banking book of £1.5bn is good going. If it can survive the downturn with this level of provisioning, the quality of its lending will turn out better than many of its peers, some of whom were tempted to use their balance sheets to advance their corporate ambitions.

Nevertheless, the combination of a rising tax charge and dilution means that a 19 per cent rise in pre-tax profits disappears at the attributable level. Indeed, it is difficult to imagine this year's earnings per share topping the 26p earned in 1987. With the 14 per cent Baltica stake overhanging the market, it is hard to get excited, despite Hambros' 7.2 per cent yield – the sector's second highest.

WORLDWIDE WEATHER

City	Reading
Ajaccio	[illegible]
Algiers	[illegible]
Amsterdam	[illegible]
Athens	[illegible]
Bahrain	[illegible]
Bangkok	[illegible]
Barcelona	[illegible]
Beirut	[illegible]
Belfast	[illegible]
Belgrade	[illegible]
Berlin	[illegible]
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Bordeaux	[illegible]
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B. Aires	[illegible]
Cairo	[illegible]
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Florence	[illegible]
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Venice	[illegible]
Vienna	[illegible]
Warsaw	[illegible]
Washington	[illegible]
Zurich	[illegible]

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

ANZ plans staff cuts as profits fall 43%

The Australia and New Zealand Banking Group plans wide-ranging changes following the announcement yesterday of a 42.8 per cent drop in net profits. It was "the harshest economic environment for small and medium-sized businesses since World War Two," the bank said. ANZ now intends to cut the dividend, shed 1,000 staff, reduce operating costs by 20 per cent over four years and freeze senior executive salaries for 18 months in the hope of improving profits next year. Kevin Brown reports. Page 23

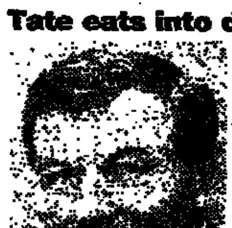
Eastern cashes in on promise

Eastern Air Lines' cash problems have been temporarily solved by a US court decision earlier this week to allow it access to $120m held in a controlled escrow account. But, at the same time, the openness of the proceedings increased the airline's problems. Customers took fright as Eastern's unsecured creditors seemed determined to push the carrier into liquidation. Nikki Tait looks at the troubles facing the struggling, but optimistic, airline. Page 23

Sensitive news items

London's stock exchange introduces new arrangements on the release of price-sensitive information next week despite complaints from leading news agencies. Companies will now be required to give announcements initially to the exchange, which will then relay the information on its own regulatory news service. The exchange's commercial news agency – Topic – will now receive information at the same time as other competing agencies. Page 27

Tate eats into debt mountain



"This year was a year to get our debt down and we have done it," said Tate & Lyle chairman Neil Shaw (left) yesterday. The UK sweeteners group revealed a 9 per cent rise in pre-tax profits to £218m ($427m) and, in the absence of any big acquisitions, halved net borrowings to £403m. Mr Shaw acknowledged that if Tate were allowed to proceed with its offer for British Sugar – the best refining subsidiary of Berisford International – it would have to raise fresh equity. Page 26

Bridging the water gap

Britain's privatised water companies are caught between conflicting currents of opinion. The National Rivers Authority is calling for anti-pollution improvements while the industry's principal watchdog is demanding strict economic regulation. North West Water, announcing interim profits of £115m ($226m) before tax, has called on the government to narrow the gap between the objectives of these two groups, reports Andrew Hill. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	750	+	20
Deckel	158.5	+	28
Muench Rck	2280	+	28
Falls			
Colonia Versich	1270	–	70
Industrie Werke	281	–	10
Rheinelektra	2590	–	35

NEW YORK ($)			
Rises			
Goodyear Tyre	16½	+	1
Hasbro	15⅝	+	¾
Mattel	19⅝	+	⅛
UNUM	46	+	⅞
Waste Mangmnt	32½	+	⅝
Falls			
Phelps Dodge	51¾	–	¾

New York prices at 12.30.

PARIS (FFr)			
Rises			
Auxiliaire d'Ent	1102	+	62
Falls			
Bongrain	2400	–	70
Cred Foncier	883	–	27
Docks de France	3760	–	55
Nouvelle Galer	748	–	21
Redoute	2905	–	70

TOKYO (Yen)			
Falls			
Hitachi	1060	–	40
Honshu Paper	1950	–	170
Kobe Steel	449	–	17
NKK	395	–	17
Nippon Steel	372	–	24
M'bsi Shpbldg	464	–	24

LONDON (Pence)							
Rises				Davies Newman	75	–	10
Capital Radio	145	+	8	Eurotunnel New	53	–	25
Century Oil	85	+	7	Frogmore Este	285	–	25
Maxwell Comms	154	+	4½	ICI	886½	–	12½
Steel Burrill	285	+	13	NSM	55	–	10
Thorn EMI	621	+	12	RTZ	442	–	14
Falls				Radio City	235	–	14
ABI Leisure	74	–	13	Sears	85	–	5
Barclays Bank	382	–	12	Stand. Chartd	268	–	14
Bradero Props	70	–	10	Storehouse	112	–	12
Brit. Borneo	703	–	20	T & N	149	–	13
Burton	200	–	10				
Crosby (J)	57	–	10				

Fiat to invest L5,000bn in south Italy

By John Wyles in Milan

THE FIAT GROUP has decided to establish its car production more firmly in Italy by investing about L5,000bn ($4.5bn) in the construction of two production plants in the south of the country.

The decision will be seen as a vote of confidence in the Mezzogiorno region, where organised crime and social and economic problems are obstacles to attracting industrial investment.

Fiat's feasibility studies of alternative sites embraced Spain, the north of England and Turkey.

The largest development will be at Melfa in the Basilicata area, where by 1995-96 around 7,000 workers will be employed at a new three-shift assembly plant with a capacity of up to 1,800 vehicles a day.

An additional 1,300 jobs will be created near Avellino in Campania by expanding a components plant for the production of 3,600 engines a day.

According to the company, the increase in employment could be up to 16,000 if the impact on the components industry is also taken into account.

The two new plants will mean that 50 per cent of Fiat Auto's production capacity will be in the south of Italy.

Union leaders in the north were anxious yesterday that the new investments implied a shift of production to the south which would cost jobs in their region, especially at Mirafiori, Fiat's giant plant in Turin. This is where Fiat's best-selling Uno is produced. Its successor will now be assembled in Basilicata.

The projected 350,000 units-a-year output from the new plant represents a 15 per cent increase in Fiat's production capacity. However, the company denied that there would be any significant reduction in employment or output in the north, but added that there would be "a redistribution of production".

The group's readiness to concentrate more of its production in Italy will surprise some analysts who argue that Fiat Auto's costs are too vulnerable to a national inflation rate which has been above the European average for more than a decade.

A Fiat representative's response yesterday was that concentration in Italy had not been an obstacle to the company's growth in the European market, while an official statement stressed that its new investments "must be achieved and must operate in absolute competitiveness with those which other major producers, including the Japanese, are making".

The company would not reveal how much state aid it would receive in the form of grants, interest-rate subsidies and subsidised social payments for investing in the south. But it pointedly added that the total would be no more than the law allowed. The aid, as well as the principle of building new production capacity, will need the approval of the European Commission.

State may sell off holding in Lufthansa

By David Goodhart in Bonn

THE GERMAN government is planning a further round of privatisation to help cover the costs of unity. This could include the sale of the 50 per cent-plus of Lufthansa which remains in state ownership.

Mr Theo Waigel, finance minister, said selling off more of Lufthansa was only a matter of "practicalities such as timing and share price". He hopes to raise several billion D-Marks from another round of privatisation and said there would be "no taboos" about what could be examined for sale.

He appeared to rule out the sale of Telekom, the telephone business of the Bundespost, on the grounds that it would be unconstitutional. However, he said private capital must become more involved in telecommunications and other infrastructure projects in east Germany than it has in west Germany.

About 51 per cent of Lufthansa is owned by the state, or 55 per cent including small stakes held by state-owned bodies. A further 5 per cent is owned by two Länder (regions). The rest is held privately. Bonn's share was cut last year from 69 per cent.

A consideration in the timing of Lufthansa privatisation would be the company's performance, which has recently come in for criticism as a result of rising costs. In the first half of this year the airline reported a loss of DM3m ($2m) compared with a profit of DM87m for the same period last year.

Since the current coalition came to power in Bonn in 1982, about DM10bn has been raised from privatisation. At the end of 1989, the central government had shares in 132 companies, reduced from 808 in 1982. During the same period the UK has raised DM100bn through privatisation, and France DM20bn.

Mr Waigel said he did not expect any income from privatisation of companies owned by the Treuhand, the trust body which owns most of east German industry.

● Warning strikes at Volkswagen will start tomorrow following the breakdown of talks between the company and the I G Metall union.

The union, which represents 130,000 VW workers, is seeking a pay rise of 8.5 per cent and a 35-hour week. The company has so far offered a 4 per cent rise and introduction of the 35-hour week in 1996, an offer which is worse than that conceded in the national negotiations for most engineering and car workers earlier this year.

Dissatisfaction over VRN interest rates emerges

By Simon London

MORE evidence of investor concern about the stresses within the international banking system has emerged in a market which has provided a valuable source of capital for many of the world's banks.

Buyers of variable rate notes have indicated three times in the last week they are dissatisfied with the interest rates being paid on the notes by the banks. Four variable rate note issues made by international banks now stand at punitive fall-back interest rates, providing further evidence that banks are now having to pay more for their capital.

The issues standing at fall-back rates are a £300m ($570m) issue by the National Westminster Bank, £300m by the Bank of Ireland, £150m from National Australia Bank – the interest rates on all of which were reset in the last week. A $200m issue for Great Western of the US was reset last month at the punitive rate. The market in variable rate notes has provided one of the few reliable sources of capital for banks, many of which face pressure to meet internationally agreed minimum standards for bank capital by March 1993. About $8bn of such paper – where the interest margin is reset every three months after talks with investors – has been issued in the last two years.

National Australia Bank's £150m VRN issue was launched four months ago, paying an interest rate of 35 basis points (0.35 percentage point) above the London Interbank Offered Rate. The fall-back rate is 65 basis points. National Westminster's £300m' issue was launched at 12.5 basis points over Libor in November 1989 and has reverted to 37.5 basis points – now seen as inadequate even for a high-quality bank. The fall-back rate on the Bank of Ireland issue is 100 basis points and 62.5 basis points on Great Western.

O&Y speeds up disposal of non-core assets

By Bernard Simon in Toronto

OLYMPIA & YORK, the large diversified Canadian property group which is developing Canary Wharf in London's Docklands, is taking steps to improve its liquidity and accelerate the disposal of non-core businesses.

The moves include a package to refinance O&Y's £400m ($784m) preferred-share holding in Allied-Lyons, the British food and beverage group; the payment of a special dividend from GW Utilities, the holding company for its Canadian energy interests; and plans to sell its interest in Interprovincial Pipe Line, Canada's largest oil pipeline operator.

They are planned with an eye on the tightening credit markets and on future property opportunities.

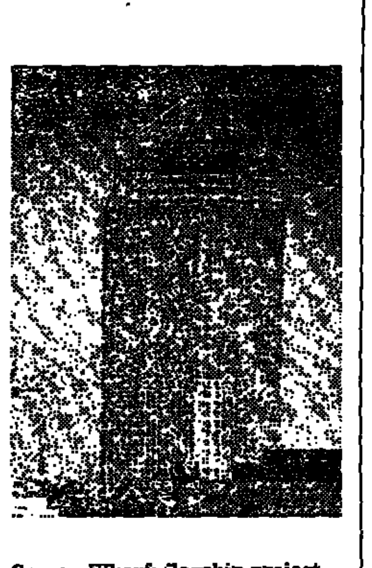
O&Y, a private company controlled by the Reichmann brothers of Toronto, earlier this week completed a £500m interim financing with a group of 10 North American and European banks for its flagship Canary Wharf project. Together with £600m of paid-up capital in Canary Wharf plus loans from the parent company, O&Y is confident that the financing package will be sufficient to cover the phases of the project already under construction.

The £500m interim financing package, consisting of floating-rate debentures, will be repaid from mortgage financing on the 10 buildings which will comprise the Canary Wharf development. O&Y is currently negotiating specific mortgage packages for two of the buildings.

Four North American banks and six European banks took part in the financing package, which has been under negotiation since July. Mr Michael Dennis, managing director of O&Y's London operation, said: "It is basically a statement by the lenders that the project makes sense."

O&Y publishes no information on its financial situation, but the sagging international property market and the poor performance of some of its non-property holdings have fuelled speculation that the parent company is under considerable pressure.

A source close to the company explained yesterday, however, that the strategy to maximise liquidity was determined less by immediate need than by a long-term view of credit markets and expansion opportunities over the next decade.



Canary Wharf: flagship project

Another tense round for battered Brent Walker

Maggie Urry looks at yet more delays to the leisure group's desperate bid to reduce it mountain of debt

JUST when a crucial bond issue appeared to free Brent Walker from the uncertainty surrounding the refinancing of its heavy debts, the group and its bankers once again find themselves in suspense.

On Tuesday, bankers and underwriters gathered at Hill Samuel, the leisure group's merchant bank, to wait for £103.3m ($203m) to arrive from places of the convertible bond issue. The issue is vital to the restructuring of the group's debts of £1.4bn.

By the 3pm deadline, the cheques and bankers' drafts – including one drawn on the Bank of England by an investor – were piling up. Money arrived from Birdcage Walk, the family trust company of Mr George Walker, chairman and chief executive of Brent Walker; from Jefferson Smurfit, the Irish-based paper and packaging group, and its chairman Mr Michael Smurfit; from Svenska International, the Swedish-owned investment bank; from Hambro Group Investments, part of Hambros Bank; from placees lined up by MMG Patricoff, the venture capital and corporate finance house; and from 254 shareholders of Brent Walker who stumped up £510,000 to buy bonds back from the placees.

But at 3pm, £20m was still awaited. Rumours swept the stock market and Brent Walker's share price slumped briefly. The company made a short statement after the stock market closed.

Those at the meeting were somewhat reassured when, two hours after the deadline £2m, turned up – £1m from each of the last two placees, Citimet, a company based in the Bahamas, and Tunis International Bank, a consortium bank based in Tunisia. Both placees had signed up for £10m of the bonds, as a gesture of good faith.

Talk was of technical hitches in sending money from abroad, and yesterday the company said it was confident the rest of the money would be forthcoming. After initial weakness, the shares rose to close 1p higher at 92p.

However, the Evening Standard newspaper reported yesterday that Mr Walker had been anxiously trying to raise cash for the bond on Monday. He was rumoured to have asked the pension fund trustees of William Hill, the group's betting shop subsidiary, to invest £2m of the fund's money in Citimet as a show of confidence in Brent Walker. The trustees voted against the suggestion.

Mr Bob Lambert, finance director of William Hill, said last night he would not comment, saying it was group policy that only Mr Walker could do so. Mr Walker was not available.

Yesterday Mr John Burrow of Ralston Trust, a trust company based in the Bahamas which acts for Citimet and hundreds of other companies like it, refused to comment on his unnamed client's activities. "What my client is doing is his own business," he said.

In Tunis, Mr Bernard Lengrand, deputy general manager of Tunis International Bank, said no one at the bank could comment on the deal. He said it had been arranged directly by the bank's chairman, Mr Ebrahim Al Ebrahim, who was not available. Tunis International Bank is owned by a wide range of Arab banks and institutions, and at the end of 1989 had a total assets of $476.2m.

Tuesday's deadline was not the first postponement. Now "positively the last" deadline has been set for midnight on Friday. If the remaining money does not arrive by then, the bond issue will probably fold. The company would then be plunged back into the turmoil of talks with its bankers.

Brent Walker's financial problems started earlier this year when the group decided to arrange £150m of medium-term bank finance to repay short-term loans. It thought it had fixed the loan with some Japanese banks. However, only days before August 1 – when that money was due to be made available to Brent Walker – the Japanese banks decided not to lend.

The group had made no back-up arrangements. Even so, the problem Brent Walker was in did not become generally known. In September, it decided to launch a £100m-£120m bond issue, to be convertible into Brent Walker shares at a price of 140p – then near the level at which the shares were trading.

The bonds, with a 13 per cent coupon, looked a fair investment when the group announced interim profits up 52 per cent. Investors were also sufficiently convinced by the quality of the group's assets – including pubs, hotels, leisure complexes and the second-largest bookmaking chain in the UK – and projected cash flow from those assets to outweigh concern about the company's mountain of debt. In September the group said debt totalled £1.15bn.

The bond issue was set at £103.3m, near the bottom end of the expected range. It was only in the weeks after the underwriters and placees were signed up that the scale of Brent Walker's problems emerged.

Repeated delays in producing the listing particulars for the bond began to raise suspicions, until it was realised the group was involved in a full-scale refinancing of its debt. When the particulars were eventually published at the end of October, Brent Walker's debt had reached £1.4bn, including guarantees and contingent liabilities.

Now the bond issue looks much less attractive, although Hambro Group Investments yesterday said bravely that it was happy keeping its £5m investment in the bonds. Mr David Lewis, a Hambro director, said: "It is a good yield and interest rates are coming down." However, when – or if – the bonds finally reach the stock market, they are likely to be quoted well below the par issue price.

George Walker, chairman: once again in suspense

INTERNATIONAL COMPANIES AND FINANCE

Trafalgar House sells its 8.8% stake in Costain

By Andrew Taylor, Construction Correspondent, in London

TRAFALGAR HOUSE, the UK construction, property, shipping and hotels group, yesterday sold its 8.8 per cent stake in Costain, the mining and construction group, for £31.43m.

Trafalgar is expected to announce on Tuesday a big fall in pre-tax profits for the year to the end of September.

The sale price of 200p a share for the Costain stake represents a loss to Trafalgar, which acquired much of its holdings before the stock market crash in October 1987.

One London stockbroker estimated that Trafalgar could have paid an average price of 330p a share for the 15.71m Costain shares which were placed yesterday with a small number of institutions by Kleinwort Benson, the UK merchant bank. This would mean a loss on the transaction of more than £18m.

The sale comes amid concern that Trafalgar House might announce a cut in its final dividend when it publishes its results next week. The group's share price on November 15 hit a seven-year low at 154p.

Trafalgar's shares climbed 2p yesterday to 174p following the news of the disposal. Some analysts said the cash raised would give Trafalgar a better chance of avoiding a dividend cut on Tuesday. Others felt the sale had occurred too late to make any difference.

The group has been hit by the collapse of commercial and residential property markets in the UK.

Trafalgar House has taken advantage of a rise in Costain's share price, which at the beginning of this month stood at 185p. After the sale Costain's shares fell to 200p from 210p.

Costain said it was pleased by the sale, which removed some uncertainty surrounding the future of the stake.

Allianz chief to retire

Mr Wolfgang Schieren (right), chairman of Allianz, Europe's largest insurance group, plans to step down from active management of the company next year, AP-DJ reports.

The Munich-based company said Mr Schieren would retire from the post he has held for the past 20 years on reaching the age of 65.

He will be succeeded by 51-year-old Mr Friedrich Schiefer, managing board member in charge of finance at Allianz.

The changes will take effect next October 2 at the company's annual shareholders' meeting, Allianz added.

The decisions on Mr Schieren's retirement and new appointments were taken at a meeting of Allianz's board of supervisors on Tuesday.

The company added that Mr Schieren is expected to be nominated to a seat on the supervisory board of supervisors.

Mystery over rival MCA bid

IN AN odd postscript to Matsushita's agreement to buy MCA, the Hollywood film studio, Italian financier Mr Giancarlo Parretti apparently wrote to Mr Lew Wasserman, MCA chairman, after the transaction was announced, telling him he wanted to make an offer for the company.

Analysts scoffed at the bid, AP-DJ reports.

Mr Parretti's Pathe Communications completed the $1.36bn acquisition of MGM-UA Communications on November 1, after delays while Mr Parretti assembled financing.

Mr Jeffrey Logsdon, analyst of Seidler Amdec Securities, said the latest development raises the remote possibility of some legal action that could cause a slight delay.

Japanese to build vehicle parts plant in Belgium

AISIN AW, 70 per cent owned by Aisin Seiki of Japan and 20 per cent by Toyota Motor, has set up a wholly-owned unit in Belgium to build a plant to produce and sell automatic transmissions, Reuter reports.

The move comes before European Community integration in 1992, and will be the first overseas production of the units by a Japanese manufacturer. The new plant will cost Y2.5bn ($19m) and create at least 250 jobs, Aisin AW said.

Aisin AW, Japan's top manufacturer of automatic transmissions, said the new company, AW Europe, capitalised at Y300m, will sign a contract next month to buy 37 hectares of land near Mons and will start construction in mid-1991.

It will begin assembly in the first half of 1993 with monthly output of 1,000 units for use in front-wheel-drive vehicles, rising to a yearly output of 250,000 units by 1996. The local procurement rate in 1996 will be more than 60 per cent.

Production from the plant will be supplied to European car makers which currently use Aisin AW-made automatic transmissions.

Aisin AW supplies 200,000 automatic transmissions a year to European car makers such as Volvo, Opel and Vauxhall.

Aisin also hopes to supply to Toyota's UK assembly plant which will begin production by end-1992.

AGF deals to boost capital by FFr4.6bn

By George Graham in Paris

ASSURANCES Générales de France (AGF), the French state-owned insurance company, has completed a complex series of share transfers with the state allowing it to increase its capital by a total of FFr4.6bn ($922m).

AGF shareholders yesterday voted through the issue to the state of new AGF shares in payment for stakes in three state-owned industrial companies – chemicals group Rhône-Poulenc, aluminium producer Pechiney and oil company Total CFP – and the acquisition of a controlling stake in Banque Française du Commerce Extérieur (BFCE).

This will leave room for AGF to raise fresh cash on the capital markets. Before yesterday's operations, it could not sell more shares in the market without breaking the rule that the state must control at least 75 per cent of its capital.

The issue of new shares gives it the leeway to dilute the state down to 75 per cent, as its state-owned competitors Union des Assurances de Paris and Groupe des Assurances Nationales did earlier this year. It could, therefore, issue 1m to 1.5m new shares, raising perhaps FFr1bn at current market prices.

Yesterday's operations involve AGF giving 3.6m new shares to the state in return for 5.45 per cent of Rhône-Poulenc, valued at FFr897m; 7.5 per cent of Pechiney, valued at FFr1.17bn; 4.3 per cent of Total, valued at FFr1.5bn. It will also give 821,000 new shares to the shareholders of BFCE in return for a 43 per cent stake in this specialist foreign trade bank, valued at FFr1.04bn.

The four operations will dilute AGF's earnings by an estimated 7 per cent.

French state-owned companies have had to resort to a variety of expedients, such as these exchanges of equity holdings with the state, in order to circumvent the socialist government's freeze on all further privatisations, even partial, which has prevented them from tapping the capital markets.

Montecatini resurrected to lead chemicals expansion

By John Wyles in Milan

MR Raul Gardini's Ferruzzi group has moved quickly to recover from its failure to win control of Italy's basic chemicals industry by reviving the illustrious name of Montecatini as the vehicle for developing an expanded presence in the production of advanced chemical materials.

Anxious to dispel any impression that its corporate strategy has suffered any serious setback by the decision to sell its 40 per cent of Enimont to ENI, the state energy group, top management at Ferruzzi's Montedison subsidiary is studying possible targets for acquisition in Europe and north and south America specialising in rubbers, fibres and plastics.

The rationale for reviving the Montecatini name derives from a recent corporate re-organisation based on the merger of Montedison with Ferruzzi Agricola Finanziaria to establish the former as a pure holding company.

Montecatini will be the management company responsible for co-ordinating the activities of Himont, a leading producer of polypropylene, Ausimont, a manufacturer of fluors and Erbamont, the pharmaceuticals company. It will also supervise Selm, the energy subsidiary, whose name is to be changed to Edison.

The symbolism of these names will not be lost on Italians who recall that Montedison's birth as a chemicals company in the 1960s followed the merger of Montecatini and Edison.

Montecatini was founded in 1888 and was the spearhead of Italian technical achievement in the chemicals sector. Montedison's subsequently tortured corporate history was marked by controversial takeovers, nationalisation and then privatisation, and sharp and sometimes destructive competition with the public sector chemicals industry.

Enimont, the abortive joint venture with ENI, was intended to assure a stable transformation of the Italian chemicals industry into a higher value-added producer.

Now Mr Gardini is reaffirming his determination to build what he had hoped to build with Enimont – a business specialising in advanced chemicals.

On a consolidated basis, Montecatini's sales this year will be L6,500bn ($5.86bn), most of them outside Italy. According to the company, acquisitions beginning within the next three months should raise this to L10,000bn.

PLM up 29% at nine months

By Robert Taylor in Stockholm

PLM, the Swedish-based packaging group and the fifth largest packaging company in Europe, yesterday announced a 29 per cent increase in profits after financial items for the first nine months of the year to SKr286m ($51.5m) from SKr222m for the corresponding period of 1989.

Divestments cut sales to SKr4.4bn from SKr4.67bn.

Profits after financial items for the third quarter fell slightly to SKr95m from SKr112m, but Mr Rolf Borjesson, president and chief executive, said profits for the whole of 1990 would be "distinctly higher" than the SKr310.9m achieved last year.

"As trade conditions are deteriorating in several countries it is worth emphasising that PLM's performance has not in the past precisely mirrored the economic climate," he said. "The group mainly produces packages for a consumer market, which is not particularly sensitive to business cycles."

The company is enjoying a substantial improvement in its beverage can division from its plants at Malmo in Sweden, the largest of its kind in Europe producing 1.4bn cans and lids a year, and Berlin and Recklinghausen in Germany.

A third line is being installed in PLM's Berlin plant as the company seeks to build up a market in the eastern part of Germany and beyond.

In the third quarter, earnings from PLM's beverage can production rose to SKr70.2m from SKr59.2m for the same period of last year. Earnings for the first nine months climbed to SKr165.6m from SKr122.2m in 1989.

PLM's glass division is also performing well at the moment. It enjoyed a 29 per cent growth in third-quarter earnings to SKr67.3m from SKr52.4m a year ago.

Mr Borjesson is particularly pleased with the productivity results in its glass manufacturing plant in Leeds, which was part of its acquisition in November 1988 of Redfearn, the UK glassmaker.

The third leg of PLM activity is in food can production, and here there has been a fall in earnings in the third quarter to SKr21.9m from SKr31.2m. But this result was caused by the exceptional earnings performance at the company's Danish plant in the third quarter of last year. So far in 1990 earnings have risen to SKr69.9m from SKr60.9m.

PLM has been 90 per cent owned by the Swedish investment and industrial holding company Industrivarden since early 1988, but management would prefer to see the company return to the stock market as soon as possible.

PLM went through some difficult years in the early 1980s, but since its return to a core strategy that began in 1986, based on metal and glass packaging which brought job cuts, factory closures and improved productivity measures, the company has begun to see an improvement in performance.

Mr Borjesson has no doubt that PLM can grow substantially over the next few years through its European-based expansion as the market is expected to climb rapidly with a consumer packaging market already worth SKr400bn a year.

Yesterday, Industrivarden announced its results for the first nine months, 80 per cent up (before financial items) at SKr456m from SKr343m.

Heineken proposal reduces job cuts to 250

By Ronald van de Krol in Zoeterwoude

HEINEKEN, the Dutch brewery group, is to cut 250 jobs in the Netherlands under a scaled-down reorganisation plan unveiled yesterday to replace a controversial job-cutting plan that sparked strikes nine months ago.

The original plan, which was announced on January 30 but then retracted on February 17 after wildcat strikes hit Heineken's breweries, had called for 700 jobs to be eliminated out of a total of roughly 4,000.

However, the actual difference between the two plans is only 100 fewer job cuts than previously announced. Since February, 150 jobs have been cut through a virtual hiring freeze.

Also, the new plan does not cover domestic transport and storage operations, where 200 jobs had originally been slated to go. These operations will be looked at again in 1991.

The latest plan, like the original one, is to be implemented over a three-year period and will not involve compulsory redundancies.

Mr Rob Strobos, director of Heineken Nederland, said the reorganisation would enable Heineken to brew beer more efficiently and to respond more quickly to changing market conditions.

Union officials yesterday criticised parts of the plan, saying middle management had been spared at the expense of production workers.

The plan calls for the elimination of 33 jobs at Heineken Nederland's head office in Zoeterwoude, 108 at the Zoeterwoude brewery and 124 at the brewery in Hertogenbosch. At the same time, its sales staff will be expanded by 15. Heineken has accepted a union demand that the plan be scrutinised by external management consultants.

The February strikes – the first significant industrial action suffered by the Heineken group – were held just before the start of Mardi Gras, a peak beer-drinking season in the Catholic southern area of the Netherlands.

INTERNATIONAL COMPANIES AND FINANCE

ANZ tumbles in 'harsh economic environment'

By Kevin Brown in Sydney

THE AUSTRALIA and New Zealand Banking Group (ANZ) yesterday blamed "the harshest economic environment for small and medium-sized businesses since World War Two" for a 42.8 per cent reduction in net profits to A$412.5m (US$317.3m).

The bank said it planned to cut the dividend, shed 1,000 staff, cut operating costs by 20 per cent over four years and freeze senior executive salaries for 18 months in the hope of improving profits next year.

Mr Will Bailey, chief executive, said the main factors behind the poor result were big increases in provisions for bad and doubtful debts, up 158 per cent to A$793m, and non-performing loans, up 86 per cent to A$2.86bn.

Some of the provisions, said Mr Bailey, related to loose lending practices following the deregulation of Australian banking in the early-1980s. However, he pinned most of the blame on the slowing Australian economy.

ANZ is the third of Australia's four leading trading banks to announce depressed profits and rising bad-debt problems for the year to September 30. Bad and non-performing loans now total around A$13bn.

However, ANZ is the first of the top banks to cut the dividend, which falls from 44 cents to 38 cents a share following a final of 16 cents, fully franked.

Mr Bailey said there had been "a lot of agonising" over the decision, but the board wanted to conserve capital and ensure the dividend level was sustainable next year. He forecast a "satisfactory" increase in profits next year, but warned that the economy was unlikely to recover until the end of 1991.

"We think there are difficult times ahead," he said.

In its detailed profit statement, the bank said little of its bad-debt problem related to Australia's "so-called high-flying entrepreneurs", many of whom have crashed over the last year.

"Most are small and medium business people, long-term customers who have survived previous recessions but not this one," the bank said. "Just over two-thirds of the total provisioning is for loans to customers who were clients prior to deregulation and almost one-third relates to customers of 20 years standing or more."

The bank said cost-cutting would include a review of work practices and the disposal or reduction in size of non-core businesses. Most of the staff cuts would be through natural wastage.

Profits fell to A$221.5m, down 36.8 per cent, after abnormal items of A$257.4m, including A$89.2m in goodwill written off against the acquisition of National Mutual Royal Bank and Town and Country Building Society in Australia, some Lloyds Bank operations in New Zealand, and Bank of New Zealand's Fiji operations.

ANZ shares closed 8 cents lower at A$3.69 on the Australian Stock Exchange. Other banking shares also suffered: Westpac fell 3 cents to A$4.16 and National Australia Bank slipped 2 cents to A$5.

Acquisitions soften fall in Thomson results

By Bernard Simon in Toronto

CONTRIBUTIONS from recent publishing acquisitions and aircraft sales helped cushion the fall in nine-months earnings at Thomson Corp, the Canadian-owned publishing and travel group.

Net income before extraordinary items dipped to US$302m, or 55 cents a share, from US$318m, or 59 cents, a year earlier. There was an extraordinary gain of US$475m last year from the sale of North Sea oil and gas interests.

Sales rose fractionally to $4bn from $3.9bn, and operating profits climbed to $558m from $463m. But interest expense more than doubled to $125m and there was a non-operating expense of $47m, compared with a profit last year from the sale of Thomson's investment in Reuters.

Despite the rise in operating income, Thomson said that all key parts of its business have been hit by the slowdown in the North American and European economies.

Although Thomson Travel's operating income jumped to $125m from $54m, the aircraft sales by Britannia Airways brought in $44m.

Nonetheless, Thomson said that supply and demand for holidays had been roughly in balance and that there had been only "modest" price discounting this year. As a result, its tour operations had staged a "substantial" recovery in profits.

Disappointing advertising revenues have hurt the British regional newspapers and business magazines, and a number of money-losing titles have been closed. But the company said that its subscription-based publishing businesses and its book and library reference group, mostly based in the US, had performed strongly.

Thomson Newspapers' operating profit dipped to US$207m from US$221m. Information and publishing profits rose sharply to US$226m from US$188m.

Troubled Eastern lives to fly another day

Nikki Tait looks at the US carrier's latest battle in the bankruptcy courts

ON Tuesday night, Mr Martin Shugrue, the trustee running Eastern Air Lines, emerged triumphant from the Manhattan bankruptcy courts.

He had just won unfettered access to another $120m of cash held in a court-controlled escrow account – enough, he claimed, to keep the financially-troubled carrier, already in Chapter 11 bankruptcy proceedings – flying through the first quarter of 1991.

But if Mr Shugrue was a victor, the latest round in Eastern's fight to stay alive shed a less kindly light on the US bankruptcy system.

Opposition by Eastern's unsecured creditors to an earlier – and more modest – request to draw down cash from the account, coupled with their public desire to push the carrier into liquidation, appears to have seriously dented the airline's already fragile business.

The sheer openness of the proceedings seems to have redoubled the airline's problems – and prompted the new trek to the courts – at a time when it was least able to afford this.

The history leading to the latest liquidation threat for America's seventh largest carrier is long and complicated.

But, in essence, Eastern became the subject of a battle between its unions and Mr Frank Lorenzo, whose Texas Air holding company owned the carrier along with the larger Continental Airlines. A strike in March 1989 all but grounded the carrier, and in the same month Mr Lorenzo pushed the heavily loss-making airline into Chapter 11.

Since then, the reins have been forcibly removed from Mr Lorenzo and passed by the courts to Mr Shugrue. His task of creating a viable business – through asset sales and a significant "downsizing" of the airline – looked tough ahead of the Kuwait crisis. The hike in fuel prices has added a savage twist.

Eastern, which booked a loss after asset sale gains of over $850m last year, reported a net deficit of $424.9m in the first nine months of 1990. The loss in the third quarter alone was $252.8m (or $180.3m if two non-recurring items were stripped out).

Two weeks ago, the liquidation threat loomed. Unsecured creditors, including Boeing, General Electric and Airbus Industrie, have grown increasingly sceptical of Eastern's long-term survival prospects.

According to the lawyers, they accept they will get back only a fraction of the sums they are owed if the airline folds - perhaps as little as $40m. But that would be better than nothing: "At the rate we are going, $40m will go in one month," claimed their lawyer on Tuesday night. "This estate is losing $2m a day."

Matters came to a head on November 15 when Eastern asked the courts to draw down $30m from the escrow account to pay its November bills. The unsecured creditors protested, and media attention focused on the liquidation threat.

In the event, Judge Burton Lifland – after an eight-hour hearing – granted Eastern's request, but required the draw-down to take place in two tranches. The second $15m would be subject to certain conditions.

The adverse publicity, according to Eastern, was damming. Mr Shugrue told the courts on Tuesday that the company lost $36m in revenues and faced higher marketing costs to win back business. Moreover, suppliers and credit card companies demanded more cash up front, costing a further $19m. American Express alone sought a new $10m deposit. With the prospect of further pleas for additional dribbles of cash ahead, the implications were grim.

So, a fortnight later, Eastern returned to the courtroom, asking for $55m to repair the adverse publicity damage, plus the $50m it had already planned to seek, to meet operating costs in December and January. It added on the second $15m tranche for November's bills and another $15m as a contingency against further "cash cushion" demands. That took the total to $135m.

This time, to many observers' surprise, Judge Lifland was on Mr Shugrue's side. He granted the airline immediate access to $120m, although he added the $15m contingency could only be drawn down on renewed application to the courts. And he lashed out at the creditors, saying they had a fiduciary duty not to harm the estate and its revenue stream.

Interestingly, the judge appears to have been encouraged into this stance by the Washington authorities. "The department of transport has cautioned the court to consider the implications of grounding the airline", he commented, noting this was particularly urgent in the heavy Christmas travel season.

Whether the move saves Eastern is a moot point. Yesterday, Mr Shugrue was doing his best to bolster sentiment, repeating claims that Eastern should be "cash-positive" by the end of March and saying the proportion of phone calls resulting in ticket purchases had improved from levels of 40 to 50 per cent to 75 per cent following the news. He also told the court $22m-worth of firm asset sales were in the pipeline.

That said, domestic competition is fairly lethal and price promotions rife. Moreover, with the Gulf situation still murky, the fuel price outlook is essentially unpredictable. Whatever happens, Eastern's loss will continue to be the industry heavyweights' gain. That $22m-worth of asset sales comprised three sets of route sales. The leading ones are going to American Airlines and United.

Mitsubishi Corp lifted by steady growth abroad

MITSUBISHI Corporation, one of the top Japanese trading houses, yesterday reported that consolidated net profits rose 14.9 per cent to Y34.64bn ($269.9m) in the fiscal first-half ended September 30 from Y30.14bn last time, AP-DJ reports.

The company said strong economic growth in Japan and continued steady growth abroad boosted trade in all areas during the period.

Overall sales advanced 13 per cent to Y9.92 trillion from Y8.778 trillion while the per share consolidated net rose to Y21.66 from Y18.89.

For the full fiscal year to March 31 1991, Mitsubishi predicted net profit would advance 16 per cent to Y70bn and overall consolidated sales would increase 8 per cent to Y20 trillion.

Mitsubishi's domestic trade posted a 16.2 per cent increase to Y4.27 trillion as strong corporate capital investment outlays boosted the company's machinery and information equipment trade totals.

Import trade rose 14.0 per cent to Y1.788 trillion, export trade increased 10.6 per cent to Y1.343 trillion and third-country trade advanced 8.5 per cent to Y2.516 trillion.

In individual sector categories, Mitsubishi's machinery and communication industry equipment trade posted the largest advance, rising 31.2 per cent to Y2.8 trillion.

However, fuels trade edged up a mere 2.9 per cent to Y1.668 trillion. Mitsubishi said an increase in its import sales of fuels, due to the sharp rise in oil prices following Iraq's invasion of Kuwait on August 2, was offset by a decline in third country fuels trade.

Although rising yen interest rates boosted Mitsubishi's interest payment burden by Y22.693bn from the previous year to Y39.560bn yen, the company said the strong advance in sales enabled Mitsubishi to absorb the increase.

Swilynn profits nearly doubled

SWILYNN International, a fast-growing video tape and home entertainment company, yesterday announced a 91.3 per cent increase in profits of HK$93m (US$11.9m) after tax and minority interests, writes **Angus Foster in Hong Kong.**

Turnover more than doubled to HK$817.5m in the year to the end of July, and the company is recommending lifting its total dividend for the year to 12 cents a share from 11.65 cents.

In September, Swilynn won control of Teletech International, a small electronics company, after a general offer. Swilynn has found it difficult to reduce its stake in Teletech to less than 75 per cent, the maximum holding allowed in Hong Kong, and says it may have to privatise Teletech instead.

NEC earnings slide to Y30bn on weak market

NEC, one of Japan's largest makers of computers and semiconductors, blamed a sluggish semiconductor market and the poor performance of a subsidiary, NEC Glass, for a drop in first-half consolidated net earnings, **AP-DJ reports.**

Consolidated net income for the parent and 76 subsidiary companies totalled Y30.18bn ($235m)in the six months to September 30, down from Y33.33bn a year earlier.

Pre-tax profit, however, was 1.5 per cent higher, climbing to Y76.93bn from Y75.78bn.

Consolidated overall sales rose 10.7 per cent to Y1,737.454 bn from Y1,569.070bn, but per-share income fell to Y19.66 from Y22.09.

Earlier this week, NEC reported its unconsolidated earnings, which reflected only the parent company results. These showed that net profits rose 30.0 per cent to Y38.58bn in the first half from Y29.66bn a year earlier, while pre-tax profits swelled 18.5 per cent to Y55.88bn from Y47.16bn.

In its unconsolidated earnings, the company reported strong sales in industrial electronic equipment, but little growth in those of electronic devices because of softening prices for memory chips.

Last year's consolidated results reflect earnings of 74 subsidiaries, two fewer than in the recent term.

Macy doubles net loss for first quarter

By Karen Zagor in New York

R.H. MACY, the highly-leveraged US department store group, is reported to have doubled its first-quarter net loss to $66m on sales which fell 9.5 per cent to $1.55bn, reflecting the decline in consumer spending which has hit the US retail industry.

The company, which has been struggling under the weight of the debt acquired in a $3.6bn leveraged buy-out in 1986, said it did not expect its performance to improve in the rest of the 1990-91 fiscal year.

In spite of the larger loss, the price of Macy's high-yield junk bonds were little changed yesterday morning.

The results were slightly better than some analysts had anticipated. "I had expected a 10 per cent fall in sales for the quarter," said Mr Andy Leinoff, a high-yield analyst at McCarthy, Crisanti & Maffei.

Macy has taken steps to improve its financial standing which have helped quell rumours that the company would follow Campeau's Federated and Allied highly-leveraged stores into filing for bankruptcy protection. It is seeking a $150m equity injection, of which its four largest shareholders have committed $100m.

The company also expects to sell Macy Credit Corp and Macy Receivables Funding Corp – which have net assets of about $100m – to GE Capital, a subsidiary of General Electric which is one of Macy's largest shareholders.

Mr Frederick Taylor, an analyst at Salomon Brothers' high-yield group, expects Macy to try to sell an additional $100m equity during the next two years.

Macy's will use the proceeds from the equity and asset sales to repurchase its subordinated debt, which should allow it to slash its debt expenses. Mr Leinoff expects Macy's interest expense to fall to $400m a year by 1993 from $716.8m in 1990.

Bombardier advances 60% in quarter

By Robert Gibbens

BOMBARDIER, the Canadian aircraft and transport group, lifted sales by more than 60 per cent in the third quarter and nine months following the inclusion of Short Bros of Belfast, ANF in France and Learjet in the US.

The impact of the North American recession on consumer products and financial services limited gains in earnings, however.

Third-quarter profit rose 14 per cent to C$21.4m (US$18.4m), or 29 cents a share, from C$18.7m, or 27 cents, on sales of C$776m, against C$481m.

Nine months' profit was up 9 per cent to C$66.8m, or 95 cents a share, from C$61.2m, or 91 cents, a year earlier. Sales were C$2bn, compared with C$1.25bn.

Mr Laurent Beaudoin, chairman, told analysts earlier this month that Short's profitability was improving as a result of contracts being renegotiated, including those with British Aerospace and Fokker.

The mass transit backlog in Europe stands at C$1.6bn, and the Belgian and French subsidiaries are booked for the next three years while the backlog in North America will soon reach more than C$500m.

Bank of Montreal improves

By Bernard Simon

HIGHER fee income and an absence of new provisions for Third World loans helped Bank of Montreal (BMO) significantly improve its earnings for fiscal 1990.

BMO, the first Canadian bank to report its 1990 earnings, posted net income of C$522.4m (US$450m), or C$4.20 a share, in the year to end-October, against a loss of C$38.6m, or 79 cents, a year earlier.

Last year's figures included a C$1bn provision for Third World loan losses. Excluding this writedown, provisions dropped to C$169m from C$181m, but the latest figure includes a reversal of a C$90m provision for an unidentified borrower in the mining industry.

Non-performing loans totalled C$923m, up from C$785m. Interest income was little changed at C$2.5bn, but fee income grew by 7 per cent during the year.

The bank said that its personal and mid-market commercial loans rose by 12 per cent.

BMO's assets climbed by 10.7 per cent over the year to C$87.4bn at the end of October. Its return on common equity was 14.6 per cent for the year and 15.6 per cent in the fourth quarter.

Crown Life sale considered

SEVERAL Canadian and foreign financial institutions, have expressed interest in buying Crown Life Insurance, one of the country's top 10 life assurers, writes Bernard Simon in Toronto.

Crown's controlling shareholder, Crownx, said that it had retained a Toronto merchant bank "to explore alternative strategies" for its 94 per cent stake in Crown Life.

Crown Life, with assets of C$10.1bn (US$8.7bn), has financial problems, largely due to losses on US mortgages and the disappointing performance of its British unit Crown Financial Management. Sales of individual life insurance policies have also sagged.

Crown's net income tumbled to C$523,000 in the third quarter from C$13.7m a year earlier.

Crownx said that the decision to examine the future of the holding was not related to the company's poor performance.

INTERNATIONAL CAPITAL MARKETS

UK bonds move lower on post-election profit-taking

By Deborah Hargreaves in London and Patrick Harverson in New York

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-16	-08/32	11.28	11.28	11.71
		9.000	03/00	89-05	-13/32	10.88	11.05	11.41
		9.000	10/08	87-10	-18/32	10.59	10.72	10.95
US TREASURY *		8.500	11/00	101-13	-02/32	8.29	8.29	8.60
		8.750	08/20	103-12	+01/32	8.44	8.42	8.74
JAPAN	No 119	4.800	6/99	88.2123	-0.133	7.43	7.28	7.73
	No 129	6.400	03/00	96.7336	-0.160	7.16	7.28	7.46
GERMANY		9.000	10/00	100.9500	-0.100	8.85	8.80	8.96
FRANCE	BTAN	9.000	11/95	95.7644	+0.001	10.12	10.12	10.18
	OAT	8.500	03/00	90.5700	-0.080	10.09	10.08	10.30
CANADA *		10.500	03/01	99.6500	-0.350	10.55	10.48	10.67
NETHERLANDS		9.250	11/00	100.9800	-0.120	9.10	9.08	9.17
AUSTRALIA		13.000	07/00	104.5382	+0.460	12.18	12.21	13.37
BELGIUM		10.000	08/00	98.9800	-0.100	9.78	9.68	9.80

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.
Technical Data/ATLAS Price Sources

THE UK market for gilt-edged securities showed some consolidation yesterday after its five-day rally on the back of the change in leadership of the rulingConservative party.

The drop in prices represented traders cashing in profits they had made in the run-up to Tuesday's vote.

In addition, market activity was muted by the failure of the pound to push strongly ahead.

The Bank of England's trade-weighted index showed sterling closing at 94.8 from an opening level of 94.5.

Gilts traders are now resigning themselves to the fact that there will not be an immediate cut in interest rates given Mr John Major's record on cautiousness.

At the long end of the market, bonds maturing in 2003/07 dropped by about ½ a point to 104¾ to offer a yield of 10.9 per cent.

■TRADING was subdued yesterday morning in US Treasuries, with both the short and the long end little changed as the market brushed aside comments from Mr Alan Greenspan, chairman of the Federal Reserve, about the poor state of the US economy.

GOVERNMENT BONDS

At midday, the benchmark 30-year Treasury bond was down 1/32 at 103 11/32, to yield 8.434 per cent.

At the short end, the two-year issue was down 0.3 at 99 31/32, yielding 7.546 per cent.

Mr Greenspan, appearing before the House banking committee, said that the US economy had entered a "meaningful downturn", and spoke of possible negative output in the fourth quarter.

The market found nothing new in Mr Greenspan's remarks, but some analysts believed that the Fed chairman had left the door open for a further easing in monetary policy before the end of the year.

The day's economic statistics, showing durable goods orders up 3.6 per cent in October – but down 0.4 if exceptional orders for transportation goods are excluded – and gross national product up a revised 1.7 per cent in the third quarter, had little impact on trading.

The bond market is looking to next week's employment data and the November purchasing managers' survey to provide more up-to-date information on the US economy.

Fed funds rose sharply in early trading on continued aggressive buying by Japanese banks and position-squaring by US banks preparing to settle their reserve requirements with the Fed at the end of the two-week account.

Volatility is common on settlement day, and Fed funds moved up from an opening 7¾ per cent to 8 ¼ per cent on the rush of demand before dropping back later in the morning to 7¾ per cent after the Fed arranged overnight system repurchase agreements.

■THE Japanese government bond market traded in a narrow range as Tuesday's auction of Y800bn of bonds was well received by securities houses.

The accepted bids produced an average price of 100.60 with a low price of 100.50 offering an average yield of 6.8 per cent.

However, some analysts said the genuine retail demand may be lower than was suggested by the eager buying of the top securities houses.

The key 119 bond closed at a yield of just under 7.4 per cent as the currency held up well.

The market is now focusing on the release of inflation figures on Friday which are expected to show some rise in the rate of inflation.

Inflation for the Tokyo region to the end of November is forecast to rise from a rate of 3.1 per cent to 3.7 per cent while the rate for the whole country up to the end of October is projected to rise from 3 per cent to 3.3 per cent.

Sentiment in the Japanese market is currently split between the optimists who expect a reduction in interest rates in the US to lead Japanese rates down, and the pessimists who focus more on the Bank of Japan's tight policy stance.

With prices having risen to a level which produces a yield of 7.4 per cent on the 119 bond, traders believe there is more chance of a drop in price than a further increase.

■IN THE German market, trading was quiet with futures prices locked in a narrow band as the market failed to find new direction in a nervous session.

Futures prices dropped slightly on renewed fears about the Gulf crisis, trading down to 82.94 after an opening level of 83 and a high of 83.08 on modest volume of over 26,000 lots.

The release of cost-of-living figures for the western part of the country were encouraging and showed a drop in the annual rate of inflation by 0.1 per cent to 3.1 per cent.

The market in Germany is now looking toward the prospect of new supply in the form of a bond issue next week.

■THE Osaka Stock Exchange is considering launching a market for options on individual stocks. No details have yet been set, including the time schedule. A working group will be formed to discuss the details and procedures. "It will take time before being approved by the finance ministry," an official said.

Amex may compete with NASD on ADRs

By Deborah Hargreaves

THE American Stock Exchange (Amex) is looking to extend trading to unregistered foreign securities in a move that will pitch it into direct competition with the National Association of Securities Dealers (NASD).

The Amex board is considering ways of introducing trading on American Depositary Receipts (ADRs) which trade in the over-the-counter market on the NASD's electronic bulletin board or in the "pink sheets".

The proposal lists several alternatives for dealing in the securities, which could trade on the exchange's existing floor through its specialist system, or on the electronic network the exchange is developing with Reuters – System for Institutional Trading of Unregistered Securities – for privately-placed securities.

In addition, the securities could be listed on a new trading facility in Hawaii which is being developed by the Amex and the Economic Development Corporation of Honolulu.

A move to trade in unregistered securities is subject to approval by the US regulator, the Securities and Exchange Commission (SEC). Foreign companies that list unregistered shares want exposure to US investors without having to comply with full SEC disclosure rules.

Dutch lift ban on index-linked offerings

By Ronald van de Krol in Amsterdam

THE Dutch central bank yesterday lifted its long-standing ban on the issue of index-linked guilder-denominated bonds, removing the last restriction on the types of bonds allowed on the Dutch capital market.

Under liberalisation of the Dutch capital market begun in 1986, the bank has ended its bans on zero-coupon bonds, floating-rate notes, bonds with bullet repayments, commercial paper, programmed and certificates of deposit.

The finance ministry welcomed the lifting of the ban on issues of index-linked bonds by private-sector borrowers, saying a liberalised Dutch capital market could not forbid practices which are widely accepted abroad.

But Mr Wim Kok, the finance minister, stressed that the government, which is the biggest issuer of loans on the Dutch capital market, did not plan to issue index-linked bonds of its own.

Index-linked bonds have been forbidden because they were regarded as inflationary.

The government opposes index-linked instruments for financing its own huge debts because this type of loan raises the prospect of unpredictable interest repayments. Proponents of index-linked loans argue they would allow the government to offer coupons lower than on fixed-rate issues.

TSA and AFBD will save £2m a year by merger

By Deborah Hargreaves

THE Securities Association and the Association of Futures Brokers and Dealers will make cost savings of close to £2m from the merger of the two UK bodies which is due to take place in April next year.

The two organisations have issued proposals for the merger which will be put to a vote of members on December 20. The proposals involve transferring members from the AFBD to the new body, which will be based on TSA rules and will be called The Securities and Futures Authority.

The savings will come from eliminating administrative overlaps in the joint body which will lead to a reduction in the staff of 10 per cent. The new organisation will have a staff of about 225.

Mr Christopher Sharples, current chairman of the AFBD, stressed that futures operators will have adequate representation under the new body's committee structure. The chairman and board of the new organisation will be voted on in May next year.

The TSA currently has 1,000 members and has authorised 700 of them to engage in incidental business in financial futures. The AFBD has some 400 members and the bodies have 40 firms in common.

TSA's rule book will be amended by next April to encompass the AFBD, and the AFBD will adopt TSA's practice of granting licences to individuals as well as to firms.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:05 pm on November 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100½	101	+⅛	8.59
ALBERTA PROVINCE 9 3/8 95	600	102⅝	102⅞		8.69
AUSTRIA 8 1/2 00	400	96⅛	96⅝	−⅛	9.11
BANK OF TOKYO 8 3/8 96	100	96⅞	97⅛	−⅛	9.18
BELGIUM 9 1/8 92	400	101¼	101¾		8.31
BFCE 7 3/4 97	150	95	95⅜		8.81
BNP 8 5/8 94	300	100¼	100⅝		8.52
BP CAPITAL 9 5/8 93	150	101⅝	102⅛		8.67
CANADA 9 96	1000	102⅛	102½	−⅛	8.46
CARCO 9 1/4 96	650	98⅝	99	+⅛	9.64
CCCE 9 1/4 95	300	102⅜	102¾	−⅛	8.54
COUNCIL EUROPE 8 96	100	97	97½	+⅛	8.67
CREDIT FONCIER 9 1/2 99	300	102½	102¾	−⅛	9.06
DENMARK 0 98	250	51⅛	51⅝	+⅛	9.12
DENMARK 8 1/4 94	150	99⅛	99½		8.51
ECSC 8 1/4 96	193	97⅝	98		8.77
EEC 7 1/4 93	250	98	98⅜	−⅛	8.22
EIB 7 3/4 96	250	96⅛	96½		8.63
EIB 10 97	250	105⅜	105⅞	−⅛	8.87
ELEC DE FRANCE 9 98	200	100⅞	101¼		8.82
EUROFIMA 9 1/4 96	100	102⅛	102⅝	+⅛	8.71
EXPORT DEV CORP 9 1/2 98	150	102⅞	103⅛		8.97
FINLAND 7 7/8 97	200	94⅞	95½	+⅛	9.01
FINNISH EXPORT 9 3/8 95	200	102⅜	102⅞	−⅛	8.72
FORD MOTOR CREDIT 9 1/2 93	300	101	101½		9.06
GEN ELEC CAPITAL 9 3/8 96	300	101¾	102⅛		8.94
GMAC 9 1/8 96	200	98⅛	98⅝	+⅛	9.57
HALIFAX 9 1/2 93	200	101⅞	102⅛	+⅛	8.67
IBM WORLD TRADE 7 5/8 93	150	97⅝	98	+⅛	8.71
IND BK JAPAN FIN 7 7/8 97	200	93⅞	94⅜	−⅛	9.17
INTER AMER DEV 7 5/8 96	200	94⅝	95		8.84
ITALY 8 1/2 94	1500	100⅛	100⅜		8.45
JAPAN DEV BK 8 94	150	98⅝	99		8.44
KANSAI ELEC PWR 10 96	350	103⅜	103⅞	−⅛	9.15
LTCB 8 5/8 93	150	99⅝	100⅛		8.78
NEW ZEALAND 8 93	100	98⅝	99⅛		8.59
NIPPON CRED BK 9 3/4 93	150	102⅛	102⅜		8.81
NIPPON TEL & TEL 9 3/8 95	200	102⅛	102⅝		8.73
NORDIC INV BANK 9 93	200	101⅛	101⅝		8.35
ONTARIO HYDRO 11 5/8 94	200	106⅝	107⅛	−1	9.11
OSTER KONTROLLBANK 8 1/8 93	200	99⅞	100⅛	−⅛	8.28
PETRO-CANADA 7 1/4 96	200	93⅜	93⅞		8.81
PRUDENTIAL RLTY SECS 0 99	365.216	46⅝	47⅛	+⅛	9.80
QUEBEC HYDRO 9 3/4 98	150	102⅜	102¾		9.30
QUEBEC PROV 9 98	200	98⅝	99⅛		9.22
SAINSBURY 9 1/8 96	150	100⅝	101⅛	+⅛	8.97
SAS 10 99	200	100½	101⅛	−⅛	9.89
SBAB 9 1/2 95	500	102⅝	102⅞		8.78
STATE BK STH AUST 9 1/4 93	100	101	102	−⅛	8.70
SUMITOMO BK CAP MKT 9 3/8 93	150	101½	102		8.78
SWEDEN 8 1/8 94	150	98⅝	99⅛	+⅛	8.51
SWEDISH EXPORT 9 5/8 93	100	102½	102⅞	−⅛	8.32
TOKYO METROPOLIS 8 1/4 96	200	97⅜	97⅞	−⅛	8.83
WORLD BANK 8 3/8 99	1500	97⅜	97⅝	−⅛	9.00
WORLD BANK 8 3/4 97	1500	100⅝	100⅞	−⅛	8.80
XEROX CORPN 8 3/8 96	100	94⅛	95⅛	+1⅛	9.73

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	97¼	97¾	−⅛	8.87
AUSTRIA 6 98	400	83½	83¾	−⅛	9.18
CNT 6 1/8 98	200	83⅜	83¾		9.20
CREDIT FONCIER 6 3/4 99	500	85⅞	86⅛	−⅛	9.24
DEUTSCHE BK FIN 5 5/8 96	750	85⅜	85⅞	+⅛	8.98
EEC 5 3/8 93	300	93⅜	93⅝	−⅛	8.82
EIB 6 1/8 96	300	87⅛	87⅜		9.15
EIB 6 7/8 95	300	92⅜	92⅝	−⅛	8.87
EUROFIMA 6 1/4 98	400	84⅛	84⅜		9.22
FELDMUEHLE FINANCE 8 99	200	91⅛	91⅝	−½	9.47
FERRO DEL STAT 5 3/8 93	500	93½	93⅞	+⅛	8.84
IND BK JAPAN FIN 5 5/8 96	200	84⅜	84⅞		9.43
INTER AMER DEV 7 1/4 99	300	89⅛	89⅜	−⅛	9.12
LUFTHANSA INT FIN 5 7/8 98	500	82⅛	82⅝		9.23
QUEBEC HYDRO 6 3/4 99	300	85	85	−1⅛	9.41
SWEDEN 6 1/8 98	300	85⅛	85⅝		8.98
WORLD BANK 0 15	2000	14⅜	14⅞	+⅛	7.90
WORLD BANK 5 3/4 96	300	85⅝	86	−½	9.26
WORLD BANK 7 1/8 95	500	93⅜	93⅝	−¼	9.11

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	81⅛	82⅛		7.84
AUSTRIA 4 5/8 98	100	86½	87½		7.06
CHUJITSUYA 7 3/4 95	50	100¾	101		7.61
COUNCIL EUROPE 4 3/4 98	250	84⅛	84⅞	−⅛	7.67
EEC 5 1/2 00	100	86	87		7.55
EIB 5 3/4 93	100	97⅛	98	+⅛	6.82
FINLAND 5 3/8 95	150	93½	94½	−½	6.98
GENERAL MOTORS 7 1/2 95	100	101½	102		7.08
JAPAN DEV BK 5 1/2 94	100	94⅞	95½		7.48
MOUNT ISA FINANCE 5 3/4 94	100	86	86⅛	+2	10.80
NEW ZEALAND 4 7/8 99	200	82⅛	83⅛		7.80
QUEBEC HYDRO 5 08	100	75	75⅛	−⅛	7.65
SKANDINAVISKA ENSK 6 1/2 95	100	96⅛	97	+⅛	7.51
WORLD BANK 5 03	150	79½	80½		7.56
WORLD BANK 7 1/4 92	100	100	100⅛	−½	7.21

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93⅛	93½		7.27
CANADA 4 3/8 92	80000	95⅝	95⅞	−⅛	7.39
CREDIT FONCIER 5 1/4 94	20000	92⅜	92⅞		7.49
DENMARK 7 95	40000	99⅛	99⅝		7.24
EIB 4 5/8 94	40000	92⅛	92⅜		7.28
GENERAL ELECTRIC 5 3/4 93	35000	95⅞	96⅛	+⅛	7.78
INTER AMER DEV 7 1/4 00	90000	100	100⅛	−⅛	7.24
ITALY 5 3/4 92	150000	98⅛	98⅜		7.38
KANSAI ELEC PWR 4 5/8 94	60000	92⅛	92½		7.29
NIPPON TEL & TEL 5 7/8 96	50000	93½	93⅞		7.28
NORWAY 5 1/8 95	50000	92⅛	92⅝		7.29
SWEDEN 5 5/8 95	20000	92⅞	93⅛	−⅛	7.43
WORLD BANK 6 3/4 00	50000	97	97⅛	−⅛	7.20

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅝	92⅝		10.15
KREDIETCORP 7 93 LFr	1000	93	94		10.06
WORLD BANK 8 96 LFr	1000	92⅞	93⅞		9.90
AMRO BANK 6 1/4 92 Fl	150	94⅞	95⅜		9.77
RABOBANK 5 3/4 93 Fl	150	92⅝	93		9.71
ALBERTA PROVINCE 10 92 C$	500	97⅞	98⅜		11.41
BCE INC 9 5/8 93 C$	300	95⅞	96⅜		11.61
BELL CANADA 10 5/8 99 C$	150	94½	95		11.64
BRITISH COLUMBIA 9 1/4 93 C$	150	95⅞	96⅛	+⅛	11.43
EIB 10 1/8 98 C$	130	94⅞	95⅜		11.17
FORD CREDIT CANADA 10 94 C$	100	94⅛	94⅝	+⅛	11.93
GENERAL ELECT CAP 10 1/4 93 C$	175	97⅞	98⅜	+⅛	11.13
MONTREAL TRUSTCO 8 1/2 92 C$	100	95	95⅝	+⅛	12.41
ONTARIO HYDRO 10 7/8 99 C$	500	96⅝	97	−⅛	11.50
QUEBEC PROV 10 1/2 98 C$	200	94½	95⅛	−⅛	11.59
ROYAL TRUSTCO 10 1/4 93 C$	100	96⅛	96⅝	+⅛	12.07
SWEDEN 9 3/4 93 C$	250	97⅛	97⅝		11.10
AUSTRIA 7 3/8 93 Ecu	125	93⅞	94⅜	+⅛	10.62
CNT 7 3/8 93 Ecu	250	92	93½	−⅛	11.06
CREDIT LYONNAIS 9 96 Ecu	125	91⅞	93⅛	−⅛	11.10
DENMARK 7 5/8 96 Ecu	250	88⅞	89⅜		10.43
EEC 7 5/8 94 Ecu	200	93⅛	93⅝		10.15
EIB 10 97 Ecu	1125	99⅞	100⅛		10.01
ITALY 10 3/4 00 Ecu	1000	102⅞	103⅛		10.24
SWEDEN 7 1/2 93 Ecu	250	91	92⅛	−⅛	11.23
BMW FINANCE 14 1/2 92 A$	100	101⅝	102⅛	+⅛	12.98
COUNCIL EUROPE 13 93 A$	50	102⅜	102⅞	+1⅛	11.67
EKSPORTFINANS 12 3/8 95 A$	75	100⅛	101		12.17
FORD CRED AUST 13 93 A$	50	99⅝	100⅛		13.11
ICI 15 1/2 92 A$	100	102½	103	+⅛	13.37
MCDONALDS CANADA 15 95 A$	100	105⅜	105⅞	+⅛	13.29
NAT AUSTRALIA BANK 14 3/4 94 A$	150	104	104½	−⅛	13.08
STATE BK NSW 14 1/4 99 A$	100	106⅞	107⅜		12.90
VOLKSWAGEN INTL 15 94 A$	100	104⅝	105⅛	−⅛	13.14
ABBEY NATL TREAS 13 3/8 93 £	100	103⅝	104⅛	−⅛	12.19
BARCLAYS JERSEY 9 1/2 93 £	250	94⅞	95⅛	+⅛	12.13
BRITISH GAS 12 3/4 95 £	150	103⅞	104⅛	−⅛	11.54
DEUTSCHE BK FIN 11 94 £	225	98⅛	98⅝	−⅛	11.67
EIB 10 97 £	300	93⅞	94⅛	+⅛	11.42
FORD CREDIT FUNDING 9 5/8 93 £	50	93½	94	−⅛	12.90
INTER AMER DEV 11 3/8 95 £	75	99⅞	100⅛	+⅛	11.44
ITALY 10 1/2 14 £	400	87⅛	87⅝	−1⅛	12.11
LAND SECS 9 1/2 07 £	200	76	76⅝	−⅛	13.10
LEEDS PERMANENT 9 1/4 93 £	50	93⅝	94⅛	−⅛	12.30
NORWAY 10 1/2 94 £	200	97	97⅜		11.63
ROLLS-ROYCE 9 5/8 93 £	150	93⅝	94⅛	−⅛	12.59
SAINSBURY 10 7/8 93 £	100	97⅛	97⅝	−⅛	12.40
SKANDINAVISKA ENSK 13 1/8 95 £	100	103⅝	104⅛	+1⅛	11.94
WORLD BANK 11 1/4 95 £	100	99⅞	100⅜	+⅛	11.24
ABBEY NATIONAL 0 96 NZ$	100	46½	47½		13.98
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99⅞	100½		13.41
AIDC 7 7/8 93 FFr	600	93⅜	94⅛	−⅛	10.51
CREDIT LYONNAIS 10 95 FFr	2000	98⅛	98⅝		10.51
EURATOM 7 5/8 98 FFr	500	85⅛	86⅛		10.42

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.89	99.96	13.9375
ALBERTA PROVINCE 1/32 93	500	99.92	100.03	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.63	99.68	13.9580
BANCO ROMA 0.03 01	200	91.50	92.88	8.4675
BANCO SANTO SPIRITO 93	200	99.54	99.64	8.4375
BELGIUM 1/16 97 DM	500	99.95	100.05	8.8125
BFCE -0.02 96	350	99.73	99.83	7.7925
BNP 05	300	97.40	97.55	8.0938
BRITANNIA 1/10 96 £	150	99.55	99.60	13.9750
CCCE 06 ECU	200	99.95	100.05	10.0000
CITIZENS FED 0.15 96	100	99.50	99.84	8.2125
COMMERZBK O/S FIN 93	200	99.57	99.67	7.9375
DENMARK -1/8 96	1000	99.05	99.15	8.0000
FERRO DEL STAT 94	200	100.35	100.48	8.2500
HALIFAX 1/10 94 £	200	99.85	99.90	13.9750
HILL SAMUEL 1/4 PERP	75	85.75	87.75	8.7500
MITSUI FIN ASIA 1/8 96	100	99.42	99.52	8.1875
MORGAN (JP) 1/4 97	250	97.56	98.31	8.4375
NAT WEST FIN 3/16 05	400	92.00	93.50	8.3125
NEW ZEALAND 93	500	99.45	99.58	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.45	99.83	8.1625
QUEBEC PROV 01	300	97.04	97.14	8.1250
RENFE 98	500	99.52	99.62	7.8750
SOCIETE GENERALE 96	300	98.52	98.62	8.0000
STATE BK VICTORIA 0.05 99	125	97.84	98.09	8.4375
UNITED KINGDOM -1/8 96	4000	100.00	100.04	8.2500

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	103⅞	104⅞	+26.62
ASDA-MFI 4 3/4 02 £	100	1.64	110	111⅛	+43.17
BURTON GROUP 4 3/4 01 £	110	3.15	104⅞	106⅛	
EASTMAN KODAK 6 3/8 01	300	90.67	97	98	+14.30
GOLD KALGOORLIE 7 1/2 00	65	1.0554	67⅛	68⅛	+32.36
GOODYEAR TIRE 6 7/8 03	150	80⅛	47⅞	50	-
GRACE (WR) 6 1/4 02	150	42⅛	68½	69⅞	+30.42
GRAND MET 6 1/4 02 £	100	6.58	94⅞	95⅞	+2.30
HAWLEY 6 02 PREF	400	1.91	92⅛	94	+32.35
HILLSDOWN 4 1/2 02 £	150	4.16	103⅞	104⅞	+60.25
INTL PAPER 5 3/4 02	200	68⅛	85	86	+15.87
LAND SECS 6 3/4 02 £	84	6.72	85⅛	86⅞	+8.32
MITSUBISHI BK 1 3/4 02	300	2727.1	76⅛	78⅛	-4.37
OGDEN 6 02	85	39.077	63	64	+33.98
PACIFIC DUNLOP 6 3/4 97	75	3.749	101⅛	102⅛	+2.46
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	78⅞	79⅛	-
THORN EMI 5 3/4 04 £	103	7.45	104	105	+21.25

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Philips raises $2bn from international bank group

By Stephen Fidler, Euromarkets Correspondent

PHILIPS, the big Dutch electrical group now undergoing a profound restructuring, is raising $2bn from international banks.

The five-year term loan has been underwritten by a group of eight international banks, but the cost to the company is appreciably more than it would have had to pay a year ago.

The credit, which went into general syndication yesterday among a larger group of banks, is being arranged by Credit Suisse First Boston. Its purpose is to refinance some of the company's short-term debt and some maturing long-term debt.

The company will begin to make repayments on the loan after 3½ years. It carries interest margins of ¼ percentage point over interbank rates for the first 18 months, ⅜ point for the next 18 months and ½ point for the remainder. A commission of 0.2 per cent is payable on the undrawn amounts during the initial six months.

Bankers said yesterday that the higher margins being paid by Philips represented both general increase in the rates being paid by corporate borrowers for loans, and a deterioration in the perception of the company in recent months.

The banks underwriting the credit are ABN-Amro, Banque Nationale de Paris, BHF-Bank, Citibank, Crédit Lyonnais, Crédit Suisse, Rabobank and Union Bank of Switzerland. They are not taking equal shares. They said a number of companies were looking to lock in funds from bank lenders since short-term credits from banks were becoming less and less reliable.

Philips, which is making 35,000 to 45,000 workers redundant in a big restructuring, this month doubled the estimate of its expected net loss this year to Fl4bn.

● Citicorp said it had completed a $200m five-year revolving standby credit with an 11 bank group for PolyGram, the German record company.

The facility fee is 0.125 per cent and the margin 0.15 per cent, with a utilisation fee of 0.05 per cent is payable when the funds are more than half drawn down.

BZW to launch warrants on CAC 40

By Deborah Hargreaves

BARCLAYS De Zoete Wedd will issue the second in its series of warrants on European stock indices today with the launch of 6m warrants on the French CAC 40 index.

The issue is worth some FFr9.6bn and will be made up of both calls and puts.

The CAC 40 warrants form part of BZW's programme of large, liquid issues of over-the-counter index warrants and BZW is backing this with a commitment to making a deep secondary market.

Today's issue follows the launch of FT-SE warrants which met with wide investor demand and generated some two-way business, according to the broker. The decision to price the warrants in small increments had drawn in a lot of private client demand.

● Citicorp launched 1m Treasury bond warrants in two tranches offering strike prices of $104.08 and $102.08 with a life of two years.

● Paine Webber issued 2m warrants based on a basket of US financial stocks which includes Aetna, Ahmanson, American Express, Bank One, BankAmerica, Chubb, Citicorp, Federal National Mortgage Association, Merrill Lynch, J.P. Morgan, NCNB.

Barings' head of department leaves firm

By Antonia Sharpe

BARING Securities, the London-based securities operation of Baring Brothers merchant bank, has parted company with Mr Henry Reid, the head of its European equities sales team.

Mr Reid, 32, joined Baring Securities in early 1988 after working for Wood Mackenzie and Mercury Asset Management. He was largely responsible for setting up and expanding Baring's successful foray into European equity research and sales. Mr Reid is expected to return to the business after a period of six months.

Fund for private Italian companies raises L74bn

By Stephen Fidler

A FUND designed to invest in privately-held Italian companies has raised L74bn, its sponsors said.

The Italian Private Equity Fund aims to invest in private companies, with the focus on profitable small and medium-sized companies, primarily in the north of Italy, seen as having high growth potential.

The fund, sponsored by Continental Bank of the US, Electra Kingsway and Mediocredito Lombardo, attracted 19 institutional investors in nine countries to raise the L74bn. A second closing will take place later in the year, when an additional L20bn to L30bn is expected to be raised.

The Bank of Italy has never before permitted an Italian bank to sponsor a foreign, closed-end investment fund. This fund is structured as a UK limited partnership.

The investment adviser will be B&S Ventures, a private investment capital manager and adviser based in Milan.

● MOODY'S Investors Service, the US credit ratings agency, has upgraded $18.6bn of outstanding senior debt and commercial paper issued by Philip Morris, the food, brewing and tobacco conglomerate.

First Boston chief for CS Holding board

By Tracy Corrigan

MR John Hennessy, chief executive of CS First Boston, has been appointed to the executive board of CS Holding, which wholly owns the Swiss bank, Crédit Suisse.

Earlier this month, CS Holding said it would lift its stake in CS First Boston to 60 per cent from 44.5 per cent, taking control. Over the last year, CS Holding has injected substantial funds to bolster First Boston, the US investment banking arm of the group, which has been troubled by problem loans.

The move is part of the restructuring of the group, designed to tighten the links between the holding company, CS Holding, and the three investment banking arms of the New York-based CS First Boston group.

John Hennessy: move is part of restructuring

CS Holding also said Crédit Suisse executive board member Mr Rüdi Stalder would be appointed chief financial and administrative officer of CS First Boston. Mr Stalder was also appointed to the CS Holding executive board.

Cedel opens office in Hong Kong

CEDEL, the Luxembourg-based clearing house for international securities, has opened a representative office in Hong Kong, writes Tracy Corrigan.

Buyers snap up EIB $300m issue

By Simon London

THE EUROPEAN Investment Bank sought to create a benchmark in the dollar sector yesterday, by doubling the size of an existing $300m seven-year issue.

The $300m fungible offering, lead-managed by Goldman Sachs, carries a coupon of 9¼ per cent and was issued at a price of 101.88. At this level it yields 52 basis points more than equivalent US Treasury paper, and offers a small pick-up over secondary market paper.

For example, the outstanding EIB seven-year paper was trading at 50 basis points over treasuries. The World Bank's $2bn global seven-year issue offers 44 basis points over US Treasury paper.

Against a background of a falling US Treasury market, the issue was snapped up by institutional investors keen to hold a liquid, triple-A rated paper at this maturity. The issue traded just below issue price, at 101.86 bid.

The deal benefited from the lack of new issuance in the dollar sector, especially at the longer maturities.

In the shadow of a looming recession, many corporate borrowers are unpopular with investors and have not been prepared to issue at higher yield levels. Also interest rate and currency swaps opportunities are few.

The EIB is one of the few borrowers with a need for unswapped US dollars and a credit background acceptable to dollar investors.

In the Australian dollar sector, the **State Electricity Commission of Victoria** came with a three-tranche, zero-coupon A$500m issue via Samuel Montagu.

The borrower is raising A$80m from the issue and the structure includes paper of 10, 15 and 20-year maturities. Demand at all maturities proved bouyant, with all three tranches trading late in the day at between less 90 bid and less 62 bid, inside full fess of 1 per cent.

The European Coal and Steel Community came with a Pta15bn 13½ per cent, five-year issue via Banesto.

The deal was reported to have found weaker demand than for other matador issues since the market was reopened in September.

There are persistent rumours that the Spanish government is to abolish witholding tax on its goverment bonds for European Community residents. This would make government bonds more attractive in relation to foreign bonds and some investors are reported to be staying underweight in peseta paper in anticipation.

However, strong demand from Italy, where investors qualify for a tax exemption on holdings of paper issued by certain supranational borrowers, helped the issue to proceed smoothly. Launched at 101.70, the issue traded at less 1.40 bid, well inside full fees of 1.625.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Komatsu Ltd(a)#	400	(4⅞)	100	1994	2¼/1½	Nomura Int.
EIB(f)◆	300	9¼	101.88	1997	-	Goldman Sachs
Sanshin Electronics(a)#	50	(5¼)	100	1994	2¼/1½	Daiwa Europe
Century Leasing(a)◆	30	8.65	101⅝	1995	1⅝/1⅛	DKB Int.
Tokyo Leasing(a)◆	30	8.65	101⅝	1995	1⅝/1⅛	DKB Int.
Iioki Kosakusho(b)#◆	100	4½	100	1994	2¼/1½	Nomura Int.
AUSTRALIAN DOLLARS						
St.Elec.Com Victoria(g)◆	(g)	zero	(g)	(g)	1/½	Samuel Montagu
D-MARKS						
SCA Capital Corp BV(c)†◆	200	(c)	100¼	1993	20/10bp	WestLB
PESETAS						
Euro.Coal & Steel Comm.(d)◆	15bn	13½	101.70	1995	1⅝	Banesto
SWISS FRANCS						
Province of Quebec(a)★★◆	200	7¾	101½	1996	-	SBC
Isetan Co.(a)★★◆	50	8⅛	100	1995	-	Mitsubishi Bk (Switz)
Ginza Yam'taya Co.(e)★★§	30	6	100	1995	-	Nomura Bk (Switz)
DSL(a)★★◆	20	7½	101½	1995	-	Credit Suisse
YEN						
Canadian Imp.Bk Comm.(h)◆	2.2bn	13	101⅛	1991	1⅛/⅝	New Japan Secs.

★★Private placement. §Convertible. #With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.52%. Non-callable c) Coupon pays 6-month Libor + 3/16%. Non-callable. d) Matador issue. Non-callable. e) Put option on 31/3/93 at 107⅝% to yield 9.109%. f) Fungible with existing $300mn deal launched October. Non-callable. g) 3 tranches. A $100mn, maturity 2001, issue price 31.10%; B $200mn, 2006, 17.85%; C $200mn, 2011, 10.50%. h) Nikkei-linked. Non-callable.

Finland keeps restrictions on raising foreign loans

THE Bank of Finland says the current restrictions on private individuals and companies raising foreign loans should remain until the Finnish economic outlook improves, Reuter reports from Helsinki.

In a memorandum requested by the bank's parliamentary supervisors, the bank's board said liberalisation could bring inflation. Mr Juhani Raatikainen, acting head of the financial markets department, said the board thought freeing loans could affect domestic demand and the housing market and fuel inflation.

"The only thing we can say is that the economic situation must be better; [there must be] lower inflation and a better outlook for the current account," Mr Raatikainen said.

Last month, the Finance Ministry said it expected a current account deficit of FM24bn in 1990 compared with FM22bn last year, and a 5.5 per cent rise in the consumer price index in 1990 after 6.6 per cent last year. After January 1, when most short-term capital movements are freed, the restrictions on private individuals and companies raising foreign loans will be Finland's last exchange controls.

Merrill Lynch freezes recruitment of staff

By Martin Dickson in New York

MERRILL Lynch, the largest US securities firm, has ordered a freeze on staff hirings and bonus payments in the latest sign of Wall Street's efforts to slash costs in the face of a sharply deteriorating business climate.

A memorandum to employees said staff could only be hired with the approval of a senior vice-president, while merit pay rises for eligible employees would, with a few exceptions, be frozen in 1991.

Mr Dan Tully, Merrill's president, said: "The operating environment for our business is increasingly difficult.

"We expect the pressure on our profitability to intensify."

Merrill, in common with many other securities houses, has been in the throes of a big cost-cutting and re-organisation programme for months.

The number of its staff has dropped by about 2,400 to around 39,000 since the start of the year.

Earlier this month it laid off 50 members of its investment banking arm.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday November 28 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Nov 27 Index No.	Mon Nov 26 Index No.	Fri Nov 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	722.81	-0.7	14.85	6.60	8.24	34.18	727.59	724.40	731.17	865.84
2	Building Materials (26)	983.64	-0.8	14.75	6.21	8.33	41.09	991.33	988.71	997.42	1031.19
3	Contracting, Construction (34)	1165.62	-1.4	16.11	6.87	8.06	59.48	1181.64	1175.74	1188.14	1390.78
4	Electricals (10)	1900.53	-0.9	14.77	7.09	8.29	99.22	1918.11	1906.09	1921.54	2447.61
5	Electronics (26)	1592.77	-0.2	10.60	5.40	12.85	60.29	1596.54	1609.33	1621.98	1890.50
6	Engineering-Aerospace (8)	396.89	-0.8	16.90	6.14	7.09	17.27	400.20	396.41	409.53	0.00
7	Engineering-General (47)	359.76	-0.5	16.07	7.12	7.51	18.02	361.62	361.39	363.48	0.00
8	Metals and Metal Forming (8)	401.43	......	23.08	8.51	5.33	24.83	401.23	396.11	398.32	453.53
9	Motors (13)	286.55	-2.4	17.43	8.39	6.69	17.45	293.64	291.56	294.16	360.25
10	Other Industrial Materials (23)	1240.86	-0.3	13.62	6.60	8.49	62.04	1244.71	1230.97	1238.51	1634.85
21	CONSUMER GROUP (178)	1203.03	-0.7	10.15	4.27	12.20	35.49	1211.54	1211.44	1222.58	1266.15
22	Brewers and Distillers (22)	1529.53	-0.9	10.36	3.90	11.70	33.88	1543.43	1550.69	1564.42	1436.43
25	Food Manufacturing (19)	1016.36	-0.6	11.36	4.85	10.86	31.63	1022.33	1018.64	1025.94	1108.39
26	Food Retailing (16)	2219.56	-0.7	9.95	3.37	13.11	58.72	2234.19	2251.31	2259.89	2263.25
27	Health and Household (18)	2408.86	+0.1	7.38	3.15	16.06	59.14	2407.01	2399.47	2436.36	2596.62
29	Leisure (32)	1229.66	......	12.41	5.40	9.80	44.64	1230.31	1232.41	1240.66	1564.35
31	Packaging & Paper (12)	509.59	-0.4	12.64	6.83	9.72	23.79	511.50	510.42	508.06	534.77
32	Publishing & Printing (13)	2973.53	......	11.89	6.32	10.56	139.88	2972.47	2946.01	2950.59	3647.49
34	Stores (34)	811.39	-2.3	10.52	4.49	12.35	25.63	830.25	829.63	840.65	776.00
35	Textiles (12)	430.99	-0.7	13.70	8.24	9.25	26.32	433.89	429.11	426.93	503.38
40	OTHER GROUPS (106)	993.38	-0.7	12.64	5.79	9.60	33.65	1000.76	1000.41	1010.07	1131.79
41	Agencies (14)	915.22	-0.9	11.66	3.67	10.39	23.93	923.86	921.37	941.56	1515.24
42	Chemicals (24)	1049.29	-1.0	12.92	6.43	9.13	50.79	1059.81	1059.67	1063.86	1194.34
43	Conglomerates (14)	1307.14	-0.2	12.99	7.67	9.24	41.19	1309.35	1298.02	1308.91	1643.00
44	Transport (15)	1852.76	-0.6	13.87	5.51	8.89	72.05	1864.26	1852.08	1862.90	2168.73
46	Telephone Networks(3)	1138.23	-1.0	11.75	4.44	11.06	26.09	1149.30	1156.82	1171.60	1107.98
47	Water(10)	2105.15	-0.8	13.78	6.43	8.22	68.12	2121.90	2131.84	2162.38	0.00
48	Miscellaneous (26)	1504.82	-0.7	12.44	5.89	9.34	63.59	1515.71	1514.06	1525.35	1867.65
49	INDUSTRIAL GROUP (479)	1022.73	-0.7	11.96	5.26	10.25	35.60	1029.97	1028.83	1038.47	1137.34
51	Oil & Gas (21)	2355.57	-0.1	9.50	5.40	13.75	95.39	2358.08	2343.85	2338.12	2238.42
59	500 SHARE INDEX (500)	1131.81	-0.6	11.57	5.28	10.68	40.42	1138.76	1136.62	1145.18	1229.53
61	FINANCIAL GROUP (102)	726.36	-1.3	-	6.56	-	34.02	735.82	727.43	731.50	808.20
62	Banks (9)	776.61	-2.2	21.06	7.42	6.22	42.00	794.01	782.84	782.57	841.07
65	Insurance (Life) (7)	1312.09	+0.1	-	5.85	-	55.82	1310.24	1294.21	1312.90	1360.93
66	Insurance (Composite) (6)	645.00	-0.4	-	6.63	-	32.08	647.86	633.99	640.66	692.11
67	Insurance (Brokers) (8)	972.23	-0.4	7.78	6.62	16.83	48.39	976.37	970.79	976.61	1114.85
68	Merchant Banks (7)	355.12	-0.1	5.46	5.75	24.42	14.24	355.41	354.43	351.73	449.47
69	Property (44)	964.36	-1.9	7.68	5.04	17.21	30.55	983.52	981.69	993.80	1165.23
70	Other Financial (21)	249.58	+0.1	11.32	7.23	11.34	13.00	249.28	250.58	249.84	316.11
71	Investment Trusts (70)	1008.05	-0.6	-	3.99	-	28.74	1014.13	1012.15	1011.83	1249.48
91	Overseas Traders (5)	1179.80	-0.2	12.10	7.83	9.84	70.90	1181.57	1190.44	1203.58	1435.32
99	ALL-SHARE INDEX (677)	1031.25	-0.7	-	5.45	-	38.48	1038.59	1035.23	1042.54	1129.22

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 27	Nov 26	Nov 23	Nov 22	Nov 21	Year ago
FT-SE 100 SHARE INDEX‡	2144.3	-15.2	2159.4	2137.7	2159.5	2151.9	2170.5	2127.9	2126.3	2255.6

FIXED INTEREST

	PRICE INDICES	Wed Nov 28	Day's change %	Tue Nov 27	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	120.10	-0.28	120.44	-	10.71
2	5-15 years	127.05	-0.49	127.68	-	11.95
3	Over 15 years	128.16	-0.72	129.09	-	10.78
4	Irredeemables	143.53	-0.84	144.74	-	13.46
5	All stocks	126.65	-0.44	127.22	-	11.55
	Index-Linked					
6	Up to 5 years	157.76	-0.16	158.01	-	3.04
7	Over 5 years	144.48	-0.50	145.21	-	3.45
8	All stocks	145.36	-0.48	146.05	-	3.42
9	Debentures & Loans	100.91	+0.11	100.79	-	10.99
10	Preference	73.53	+0.18	73.41	-	6.44

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 28	Tue Nov 27	Year ago (approx.)
	British Government				
1	Low	5 years	9.58	9.49	10.33
2	Coupons	15 years	10.43	10.32	9.87
3		25 years	10.49	10.37	9.77
4	Medium	5 years	11.01	10.88	11.32
5	Coupons	15 years	10.83	10.75	10.27
6		25 years	10.72	10.66	9.90
7	High	5 years	11.15	11.02	11.47
8	Coupons	15 years	11.02	10.94	10.48
9		25 years	10.92	10.88	10.04
10	Irredeemables†		10.66	10.56	9.84
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.80	3.71	3.84
12	Inflation rate 5%	Over 5 yrs.	4.16	4.12	3.73
13	Inflation rate 10%	Up to 5 yrs.	2.52	2.42	2.96
14	Inflation rate 10%	Over 5 yrs.	3.98	3.94	3.56
15	Debs &	5 years	13.24	13.32	12.99
16	Loans	15 years	12.85	12.87	12.55
17		25 years	12.53	12.54	12.19
18	Preference†		12.82	12.84	10.77

‡Opening index 2159.4; 9 am 2148.4; 10 am 2148.6; 11 am 2148.0; Noon 2143.0; 1 pm 2141.6; 2 pm 2141.7; 2.30 pm 2141.8; 3 pm 2139.7; 4.10 pm 2143.9; (a) 8.30am (b) 9.23am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	81	5
Corporations, Dominion and Foreign Bonds	1	4	16
Industrials	215	340	994
Financial and Properties	77	175	492
Oils	16	25	50
Plantations	2	1	7
Mines	20	23	109
Others	36	58	111
Totals	367	707	1,784

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
155	F.P.	-	160	155	§Brabant Resources £1	155		-	-	-	-
2	F.P.	-	4½	3	Finlan Group 1p	3		-	-	-	-
-	F.P.	-	22	20	‡MMI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	8	‡Paramount 2½p	9½		-	-	-	-
†	F.P.	-	53	31	‡Pelican 20p	33		-	-	-	-
§100	F.P.	-	96	70	Smaller Cos. Inv. Tst50p	70		-	-	-	-
-	F.P.	-	23	18	Do. Warrants	18		-	-	-	-
225	F.P.	-	245	185	‡Standard Platform 10p	185		-	-	-	-
†	F.P.	-	126	109	Unichem 10p	111		R4.5	2.5	5.4	8.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	63	§Bluebird Toys 12pc Cv. Uns. Ln. 2005	67xd	
‡	Nil	29/11	3ppm	¼pm	§Greenacre Group Cr. Rd. Prf. 70p	¼pm	
100p	F.P.	28/9	102p	91p	Perkins Foods 8p (Net) Cv Rd Pf	100p	
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	117½p	-1
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	106	-1
100p	F.P.	-	105p	43p	Wyndham Group 9.375pc Cn.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
-	Nil	-	61pm	58½pm	BTR Warrants 1994-95	60pm	
286	Nil	21/12	218pm	50pm	Eurotunnel Package	53pm	-25
45	Nil	-	4pm	3pm	Excalibur Group 5p	4pm	
90	Nil	-	½pm	¼pm	*Haemocell	½pm	
2½	Nil	-	¼pm	½pm	‡Nat'l. Media Comms. 1p	¼pm	
280	Nil	-	24pm	13pm	Low (Wm)	14pm	
20	Nil	-	½pm	¼pm	Norton Group 12.5p	½pm	+½
10	Nil	-	½pm	¼pm	‡Propeller 1p	½pm	
11	Nil	-	2½pm	¼pm	Reece 5p	2½pm	+½
25	Nil	-	¼pm	¼pm	Strong & Fisher	¼pm	
100	Nil	-	26pm	9pm	Unichem 10p	11pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. s Dividend and yield exclude special payment. ‡ Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ı Introduction § Placing price. ıı Reintroduction. ‡ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover

TRADITIONAL OPTIONS

- ● First Dealings Nov. 26
- ● Last Dealings Dec. 14
- ● Last Declarations March 7
- ● For settlement March 18

For rate indications see end of London Share Service

Calls in ADT, Amstrad, Barratt Devs., Brent Walker, Ratners, Telemetrix and Whitegate Leis. Puts in Amstrad, Eurotunnel units and Ratners.

LONDON TRADED OPTIONS

EQUITY futures backed away from the previous session's levels as profit-taking set in after Mr John Major was formally appointed as prime minister. Dealing in traded options was concentrated in the FT-SE stock index and in Prudential and Ladbroke stock options.

The session started cautiously with the December FT-SE futures contract showing little reaction to Mr Major's victory in the Conservative party leadership contest. The end of the current political uncertainty had already been discounted by the market, which has risen over 100 points during the leadership election.

The cash market led the way lower and futures dealers appeared happy to mark prices down accordingly. With Mr Major installed, worries about conflict in the Gulf and diminishing hopes for an early cut in interest rates came to the fore.

But the futures market maintained a strong premium over the cash index, as the prospect of a rally in December kept prices buoyant. December closed at 2,171, down 18 points on the day, while its premium over the cash index finished little changed at 28. Brokers estimate December's fair value premium at around 15 points.

In the traded options market, dealing remained subdued. A total of 22,736 contracts traded, compared with 20,589 in the previous session, with turnover weighted towards calls. FT-SE options accounted for 7,011 lots and were evenly split between calls and puts. The December 2,250 calls were the most popular.

Among the stock options, the Prudential was the most active, buoyed by busy two-way dealing. Turnover was lifted by a seller of 1,000 February 200 calls and a buyer of 250 lots of the same series. Ladbroke (1,753) was next on the list; followed by Trusthouse Forte (1,422) as 500 December 260 puts were crossed.

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Allied Lyons (*483)	420	66	85	90	2½	7	12
	460	35	54	63	11	17	26
	500	13	32	43	33	39	46
ASDA (*125)	110	19	22	-	2	5	-
	120	11	16	21	4½	7	9
	130	6	12	16	9	12	14
Brit. Airways (*141)	130	17	24	25	4	6	10
	140	11	17	18	7	13	17
	160	4	9	12	21	23	28
SmKl Beecham A (*589)	500	100	115	130	1½	6	10
	550	56	75	93	7	16	20
	600	24	46	65	27	35	40
Boots (*338)	300	46	56	63	3½	6	8½
	330	23	36	43	9	14	18
	360	8	18	25	27	29	32
B.P. (*342)	300	48	57	64	1½	5	7
	330	25	34	43	7½	13	15
	360	9	20	27	22	27	29
British Steel (*120)	110	13	18	21	2	3½	6½
	120	6	11½	14½	6	7	10
	130	3	7	9½	11	12	16
Bass (*1021)	950	75	110	133	18	28	38
	1000	40	80	103	37	50	57
	1050	20	55	75	70	78	85
C & Wire (*434)	390	53	72	82	6	12	18
	420	31	52	62	15	23	29
	460	12	32	42	38	43	50
Courtaulds (*329)	300	35	49	54	4	9	13
	330	15	29	35	15	19	24
	360	4½	16	-	35	38	-
Com. Union (*495)	420	31	52	62	15	23	29
	460	12	32	42	38	43	50
	500	5	18	-	71	73	-
GKN (*328)	300	40	46	49	5	14	16
	330	20	25	35	17	26	28
	360	6	14	-	35	46	-
Grand Met. (*601)	550	68	80	97	6	16	19
	600	33	47	65	20	34	43
	650	11	25	-	52	65	-
I.C.I. (*887)	800	109	124	130	5	23	30
	850	69	85	99	16	44	49
	900	33	57	74	37	65	74
Kingfisher (*389)	360	44	61	67	5	10	14
	390	24	42	49	14	19	24
	420	11	23	33	36	39	42
Ladbroke (*280)	260	30	39	46	5	9	13
	280	15	28	34	13	18	23
	300	7½	18	-	24	29	-
Land Secur (*522)	460	72	88	97	2	6	11
	500	40	57	67	8	15	24
	550	13	30	40	35	37	46
M & S (*231)	200	37	45	-	1	3½	-
	220	19	30	35	3½	7	10
	240	8	18	23	13	17	21
STC (*318)	280	42	42	42	2	3	3
	300	24	26	26	4	5	6
	330	2	3	3½	20	21	22
Sainsbury (*289)	260	36	-	-	2½	-	-
	280	20	32	38	5½	8½	12
	300	9	21	27	16	18	21
Shell Trans. (*459)	420	48	56	68	5	11	15
	460	21	32	44	17	29	32
	500	6	15	27	46	53	55

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Storehouse (*112)	100	15	-	-	3	-	-
	110	10	14	-	5	7½	-
Trafalgar (*174)	160	22	30	32	10	18	23
	180	12	18	22	21	28	37
Utd. Biscuits (*313)	300	26	34	40	6	13	16
	330	9	18	25	22	28	30
Unilever (*649)	600	64	85	98	9	19	24
	650	33	53	67	25	37	43
Ultramar (*340)	300	47	57	65	3	8	11
	330	25	35	45	11	18	20
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit Aero (*531)	500	59	68	83	14	27	30
	550	29	40	57	35	48	53
BAA (*404)	390	33	53	60	16	23	28
	420	17	37	43	34	37	40
BAT Inds (*563)	550	45	62	75	17	32	40
	600	20	35	50	47	60	65
BTR (*328)	300	40	44	53	7	12	14
	330	20	26	37	16	24	28
Brit. Telecom (*282)	280	15	26	31	14	17	20
	300	7½	17	22	27	29	31
Cadbury Sch (*332)	330	25	31	40	15	22	26
	360	10	18	-	33	40	-
Guinness (*756)	700	68	85	106	15	27	30
	750	37	57	75	36	48	50
GEC (*187)	180	15½	22	26	6	8½	12
	200	6	11	15	18	19	22
Hanson (*199)	180	21	26	29	4¼	6½	8½
	200	7	15	19	14	15	17
LASMO (*433)	420	40	52	65	16	23	29
	460	19	33	45	40	45	47
Lucas Inds (*128)	120	17	21	26	6	10	12
	130	11	14	20	11	15	16
P. & O. (*524)	500	54	64	75	18	33	40
	550	27	38	54	44	60	62
Pilkington (*155)	140	19	25	26	4	6½	10
	160	7	14	15	14	17	21
Prudential (*205)	200	16	21	25	7	10	13
	220	6½	10	16	17	22	23
Racal (*189)	180	22	29	33	10	14	17
	200	11½	19	23	22	24	27
R.T.Z. (*442)	420	45	52	67	13	23	27
	460	20	31	45	32	45	47
Scot. & New (*352)	330	35	48	55	9	14	18
	360	19	30	37	23	27	32
Tesco (*225)	220	19	23	31	6	11	12
	240	7½	14	20	17	22	24
Thames Water (*253)	240	22	28	33	9	12	16
	260	10	19	22	20	2	26
Water Hldg Pkg (*£2480)	2350	230	-	-	70	-	-
	2400	200	-	-	90	-	-
Option		**Jan**			**Jan**		
Ferranti (*17)	20	1½	-	-	5	-	-
	25	¼	-	-	9	-	-
Option		**Dec**	**Feb**	**Apr**	**Dec**	**Feb**	**Apr**
Fisons (*371)	360	19	31	39	6	12	16
	390	4	17	23	23	27	31
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Abbey Nat. (*228)	220	11	22	26	3	9½	11
	240	2½	10	14	13	19	20

Option		CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
Amstrad (*63)	60	6	10	13½	3	7	7
	70	1½	6	9	9	12	13½
Barclays (*382)	360	-	47	53	-	17	25
	390	-	26	37	-	30	40
Blue Circle (*222)	220	10	23	26	7	15	21
	240	3	13	18	21	26	33
British Gas (*234)	220	18	25	31	2½	7½	10
	240	4½	12½	20	10	15	18
Dixons (*149)	140	12	20	25	2	7	11
	160	3	9	15	14	17	20
Glaxo (*792)	750	52	87	109	6	18	28
	800	19	60	77	24	37	47
Hawker Sidd. (*433)	420	25	45	52	15	25	35
	460	6	25	32	35	43	35
Hillsdown (*267)	260	14	30	32	7	13	17
	280	5	18	22	17	21	25
Lonrho (*209)	200	15	18	24	4	14	17
	218	5	-	-	14	-	-
Midland Bk (*197)	180	20	28	33	2½	10	12
	200	9	19	24	10	19	24
Reuters (*638)	600	55	87	114	15	48	65
	650	27	62	92	35	73	88
R Royce (*158)	140	20	28	29	2	3½	6½
	160	7	13½	17	7	12	15
Sears (*85)	80	8	12	15	2½	4½	6
	90	3	7	8½	7	9	12
THF (*263)	260	11½	24	29	6	112	17
	280	3½	14	19	19	21	28
Thorn EMI (*651)	650	18	46	60	23	33	40
	700	3	24	-	63	64	-
TSB (*140)	140	5	10	13	4	9	14
	160	1	3	-	22	23	-
Vaal Reefs (*564)	60	8	13	15	3	7	9
	70	3	7	12	9	14	15
Wellcome (*383)	360	35	54	67	4	14	19
	390	14	35	50	16	27	34

EURO FT-SE INDEX (*2144)

	1975	2025	2075	2125	2175	2225	2275	2325
CALLS								
Nov	175	125	75	30	5	1	-	1
Dec	202	156	112	74	48	28	13	7
Jan	-	178	-	107	-	56	-	26
Mar	-	215	-	150	-	98	-	56
Jun	-	260	-	200	-	148	-	105
Sep	-	300	-	240	-	185	-	151
PUTS								
Nov	1	1½	3	7	35	80	-	180
Dec	10	14	21	34	53	83	121	162
Jan	-	26	-	56	-	103	-	172
Mar	-	50	-	75	-	125	-	178
Jun	-	61	-	95	-	138	-	190
Sep	-	80	-	104	-	150	-	197

FT-SE INDEX (*2144)

	2050	2100	2150	2200	2250	2300	2350	2400
CALLS								
Nov	96	47	10	1	½	½	½	½
Dec	140	98	64	37	20	10	6	3
Jan	164	127	95	64	48	34	22	14
Feb	184	148	118	90	68	52	-	-
Jun †	-	215	-	156	-	113	-	80
PUTS								
Nov	1	4	16	57	107	157	207	257
Dec	17	28½	45	76	113	160	210	260
Jan	34	47	67	94	127	166	211	216
Feb	44	59	77	103	135	171	-	-
Jun †	-	63	-	93	-	136	-	200

November 28 Total Contracts 22,736
Calls 13,772 Puts 8,964
FT-SE Index Calls 3,592 Puts 3,419
Euro FT-SE Calls 9 Puts

Tate rises 9% to £218m and halves borrowings

By David Owen

STRONG IMPROVEMENTS from UK sugar and US corn syrup and starches helped Tate & Lyle, the world's leading sweeteners group, to a 9 per cent advance to £218m in pre-tax profits for the year to September 29.

In the absence of major acquisitions, the year was characterised by a near-halving of net borrowings from £770.5m to £403.2m and a reduction in year-end gearing to 69 per cent (159 per cent). "This year was a year to get our debt down and we have done it," said Mr Neil Shaw, chairman and chief executive.

Effectively, the decks have *now been cleared for a bid for* British Sugar, the beet refining subsidiary of Berisford International. Nevertheless, Tate would "have to raise some more equity", if it did proceed with such a purchase, Mr Shaw said yesterday.

A proposed offer from the group was referred to the Monopolies and Mergers Commission in September, just before European Community regulations on corporate takeovers took effect. Consequently, Tate will not know until late-January whether it is free to enter the auction.

In the meantime, it risks having the prize snatched away from it by Mr Garry Weston's Associated British Foods or one of the European and American groups that Mr Shaw suspects of being in the running.

If a Tate-British Sugar merger were consummated, the combined company would have a 94 per cent share of the UK sugar market.

Mr Shaw insisted yesterday that the acquisition of the Berisford subsidiary was "not critical" to Tate, "although we would certainly like to be *approved*".

Yesterday's result, achieved on turnover down 1 per cent to £3.43bn (£3.47bn), compared with pre-tax profits of £200.4m in 1989.

The group was helped by a reduction to £61.3m (£70.2m) in net interest payable. Profit before interest rose by a relatively pedestrian 3 per cent.

Exchange fluctuations impacted on pre-tax profits to the tune of £5m-£6m, the company said. But the inclusion of Amstar and Campo Ebro for their first full year (versus nine months in 1989) effectively cancelled this out for the purposes of year-on-year comparisons.

At the pre-interest level, the best performances came from Staley, which contributed profits of $172.4m (£100.8m) up from $148.4m (£92.75m), and Tate & Lyle Sugars with £43.7m (£39.7m).

The group said that operating profit margins from North American sweeteners and starches had risen to 14.7 per cent (12.6 per cent), and from European and other cane and beet sugar to 8.6 per cent (7.9 per cent).

Below the line, Tate benefited from a tax charge reduction to 29.1 per cent (32.5 per cent), stemming from the release of provisions for deferred tax liabilities.

Fully diluted earnings per share advanced 12.7 per cent to 30.2p (26.8p). A final dividend of 6.7p (6.1p) was recommended, making a total of 10p (9p).

After rising sluggishly in early trading, the shares closed down 7p at 269p.

See Lex

Trevor Humphries

Neil Shaw: Tate would have to raise equity to buy British Sugar

Menzies to quit board at General Accident

By Richard Lapper

GENERAL ACCIDENT, the composite insurer, is to part company with Mr Ian Menzies, the executive who led the company's ill-fated acquisition in 1988 of NZI Corporation, the New Zealand insurance and banking group. Mr Menzies, is to resign from the GA board and step down as general manager at the end of the month.

Mr Menzies' departure comes as no surprise. One analyst said yesterday that "he was instrumental in the purchase of NZI bank – that is the beginning and the end of the story."

GA bought a 51 per cent stake in NZI for £264m in July 1988 and took full control last year as part of efforts to stem heavy losses. NZI was hit by a series of bad corporate debts, many of them triggered by the downfall of local investment companies after the 1987 stock market crash. GA has spent *about £450m on NZI with* acquisition costs and operating losses taken into account.

But the resignation also signals a broader shift in General Accident strategy since the appointment of Mr Nelson Robertson as chief general manager at the beginning of this year, in which it re-emphasized operating strengths of sound underwriting and tight administration.

A review of operations has led to a "general tightening up all round" according to another analyst. Mr Barry Holder, the general manager in charge of finance, has assumed greater responsibility this year.

Mr Menzies, a corporate financier, joined GA from the merchant bank, Schroders, where he handled GA's account. He was associated with a period of diversification and expansion.

As well as NZI, GA bought the Canadian insurer, Pilot, in 1986, and bought up a network of some 500 estate agencies as part of moves to diversify its distribution network for life and pension products.

Although the Pilot acquisition is regarded as successful, GA, like other insurance companies, has made heavy losses on its estate agencies.

Strong banking performance lifts Hambros to £43m

By David Lascelles, Banking Editor

HAMBROS, the City of London merchant banking and financial services group, increased its interim profits by 19 per cent, helped mainly by a strong showing on the banking front.

The result was better than expected and went against the downward trend reported recently by other merchant banks.

In the six months to September 30, Hambros earned £42.5m before tax, up from £35.81m in the same period last year. But earnings per share were down from 15.7p to 15.4p because of new shares issued for an acquisition in August.

The interim dividend is up 11 per cent to 4p.

The profits from banking rose to £32.8m (£27.38m). Mr Chips Keswick, chief executive of banking, said that all 10 streams of business produced a profit. Particularly strong were *big-ticket structured leases* which had become an attractive source of finance for companies after the downturn in other markets. Good profits had also been earned from the Australian dollar bond market, treasury activities and money transmission.

The group's retail financial services, consisting of Hambro Countrywide, the estate agency chain, had already been announced. They showed a profit of £1m compared to a loss of £6.4m.

Mr Christopher Sporborg, chief executive of non-banking activities, said the housing market had improved slightly since October but there was still a large inventory of unsold houses. Hambro Countrywide might be interested in buying parts of the chain of estate agents now being sold by the Prudential, he said.

Direct investments by the group yielded £17.3m, compared with £23.6m.

Mr Charles Hambro, group chairman, said that the current political and economic uncertainties made it both unwise and difficult to comment on the outlook for the second half. But the group's banking ratios and liquidity remained very satisfactory, he said.

It was unlikely that investment results could sustain recent levels, but Hambro Countrywide was well placed to benefit from any upturn in the housing market.

Mr Keswick and Mr Sporborg both become joint deputy chairmen of the group following the resignation of Mr John Clay as deputy chairman. Mr Clay remains a non-executive director.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
ABI Leisure ......fin	3.1	Jan 28	-	3.1★	-
Alba ......int	1	Apr 29	1.5◆	-	3.25◆
Carroll PJ ......int	nil	-	4.1♣	-	8.2♣
Chancery ......int	nil	-	3.1	-	9
Dunedin Worldwide...fin	6.6	Jan 23	5.5	9	7.5
Hambros ......int	4	Jan 15	3.6	-	11.5
Kwik Save ......fin	8.4	Jan 17	7.3	12.1	10.5
Maxwell Comms ......int	7	Apr 3	6.5	-	15
Multitone Elect ......int	0.75	Jan 14	nil	-	1
North West Water......int	6	Mar 4	-	-	10.47
NSM ......int	0.5	Mar 1	-	-	3.5
Shanks & McEwan ...int	10.2	Jan 16	8.5	-	22.8
Tate & Lyle ......fin	6.7	Feb 5	6.1	10	9
Trimoco ......int	0.5	Jan 31	0.6	-	1.4
Verson Intl ......int	0.3†	Feb 1	0.21	-	0.81
Wagon Indl ......int	6.325	Feb 20	5.75	-	16
Wescol § ......fin	nil	-	-	1.5	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ◆For nine months period. ★Payment of final dividend of 3.1p represents an annualised dividend of 4.7p per share. ♣Irish currency throughout. ♦For 18 months.
mr,2

French bank petitions over Polly Peck credit letters

By Raymond Hughes, Law Courts Correspondent

A FRENCH bank complained to the High Court yesterday about the administrators of Polly Peck International.

Credit du Nord, part of the Paribas banking group, had issued two standby letters of credit for goods supplied to Polly Peck or Vestel, its Turkish electronics subsidiary: one for Y300m (£1.18m) to Space Corporation; the other for $2.02m (£1.02m) to Philips Electronic Industries (Taiwan).

Mr John Lindsay, QC, for Credit du Nord, told Mr Justice Morritt that the bank risked having to pay Space and Philips for goods supplied to Vestel since Polly Peck entered administration on October 25. The bank was trying to avoid finding itself an unsecured creditor, Mr Lindsay said.

The administrators would not tell the bank whether payments would be reimbursed, said Mr Lindsay.

Mr Michael Crystal, QC, for the administrators, said investigations into dealings with Space and Philips were not complete. Both suppliers had indicated that they would ship no more goods under the letters of credit, he said.

The bank is asking for orders requiring the administrators to clarify the position as regards post-administration shipments from the two suppliers and, if appropriate, either to pay the suppliers or set aside funds to reimburse the bank. Or, the administrators should be ordered to notify Space and Philips that Polly Peck did not intend to pay for goods and that further shipments should not be made to Vestel.

The hearing continues today.

New call on water regulation

By Andrew Hill

NORTH WEST Water yesterday suggested that the new environment secretary – named last night as Mr Michael Heseltine – should try to narrow the gap between the objectives of the privatised industry's principal regulators.

Earlier this week Northumbrian Water claimed it was "pig in the middle", caught between the National Rivers Authority's calls for rapid anti-pollution improvements, and the Office of Water Services' strict economic regulation.

North West, which announced a theoretical increase of 15 per cent in its interim dividend, said its relationship with the regulatory bodies at regional and national level was "developing well", but called for the environment secretary to bring the two regulators closer together.

Profits of £115m pre-tax were announced by North West, one of four water groups in the FT-SE 100 Index, for the six months to September 30. An interim dividend of 6p per share was declared.

The dividend compares with 5.2p, which would have been paid in the equivalent period had North West been a privatised company. In the first half of 1989-90, North West made £15m before tax, or £91m, assuming the industry's new capital structure had been in place at the beginning of April 1989.

In the period just reported group turnover rose from £247m to £287m and earnings per share increased from a pro forma 22.8p to 30.3p.

● COMMENT

North West was one of the water industry's less efficient operators before privatisation, so it is probably finding it easier to rein in costs than Northumbrian, which was one of the most efficient. None the less, a cost increase of just 8 per cent in the first half helped the group produce profits ahead of expectations. Some analysts seem concerned by North West's acquisition strategy, which kicked off earlier this month with the £51m purchase of three process engineering companies in areas related to the core unregulated business. To other observers, however, the strategy looks characteristically cautious. In any case, North West should make £215m before tax for the full year. The group claims that its dividend policy is unaffected by the generosity or otherwise of its rivals, so it seems unlikely to splash out on its dividend without good reason. The partly-paid shares – down 2p at 252p yesterday – look relatively attractive on a prospective yield of 7.5 per cent.

UK COMPANY NEWS

Foreign exchange profits lift MCC 6% to £90m

By Andrew Hill

PROFITS at Maxwell Communication Corporation, the publishing group, increased 6 per cent from £85.1m to £90.1m in the six months to September 30, but that was after a £41m increase in foreign exchange profits.

The group's operating profits dipped from £134m to £130m and earnings per share fell from 10.3p to 10p.

However, Mr Robert Maxwell, the group's ebullient chairman and chief executive, said MCC was confident of a "satisfactory" outcome to the year and the board declared an increased interim dividend of 7p (6.5p). MCC's shares rose from 149½p to 154p in a weakening market.

In the last two years, MCC has transformed itself from a printing company with some publishing interests to a pure publishing company, but in the process the group has added to its debts.

MCC's net debt stood at £1.9bn on September 30 and the publisher said it would reduce that figure by at least £750m before the end of March 1991, through disposals and mergers of group businesses. MCC has already raised £258m through asset sales since the half-year.

MCC made no large asset disposals during the first half of the year and interest costs rose sharply, from £56.5m to £86.7m.

The increase was offset by the rise in net foreign exchange gains from £4.9m to £45.7m, thanks to deft management of the repayment of the group's $3bn short-term syndicated bank loan.

At the end of last month, the group met the deadline for repaying $990m of that debt, which had helped fund the acquisition of Macmillan, the US publisher, and Official Airline Guides last year. The next $750m tranche must be repaid by October 1992, and a final tranche of $1.26bn by October 1994.

The US acquisitions helped boost operating profits from MCC's publishing interests from £71.8m to £106m. On a comparable basis, operating profits from publishing and information services in the US would have increased by 12.5 per cent. School and college publishing was the biggest contributor to profit, making £44.8m (£36.3m), but profit from information services and electronic publishing more than doubled to £39.4m (£18.4m).

MCC revealed that it had lost £22m on the disposal of its 21 per cent stake in De La Rue, the banknote printer, which was completed this month. MCC said the loss would be dealt with in the full-year accounts.

See Lex

SE splits news areas on Monday

By Richard Waters

NEW ARRANGEMENTS for releasing price-sensitive news to the stock market will come into effect on Monday, in spite of continuing complaints from Reuters and other news agencies that they hinder competition.

The International Stock Exchange will divide its company news operation into two, separating its commercial news service, Topic, from its regulatory functions.

The move follows concern from the Office of Fair Trading that the exchange was using its regulatory role to make monopoly profits out of selling company news.

Under the new system, all companies will be required to give company announcements to the exchange first. It will then release the information on its new regulatory news service (RNS).

Only when it has appeared on RNS – and the exchange has telephoned to confirm this – will a company be allowed to inform any other agency.

The separation at the exchange means that Topic will receive information from RNS at the same time as competing news agencies. This is designed to create a level playing field.

Reuters said yesterday that it remained unhappy with the arrangements and would prefer a system similar to that in the US.

This involves companies releasing information simultaneously to news agencies, allowing them to compete in putting the news out.

Mr David Ure, managing director of Europe, the Middle East and Africa at Reuters, said the Stock Exchange proposal did not introduce any competition to the RNS and there would be no pressure on the exchange to act quickly.

Ms Christine Dann, head of company information at the International Stock Exchange, said it aimed to make all announcements within 15 minutes, although it would only achieve this if companies gave advanced warnings during busy periods.

She added that, by giving information to agencies under embargo, companies would be able to reconcile UK and foreign disclosure rules. She denied that such arrangements would increase the danger of insider dealing.

Wagon Industrial gains 14%

By Jane Fuller

WAGON Industrial Holdings, the engineering group, benefited from reduced interest costs following the £32.6m sale of its office equipment division and reported a 14 per cent rise in interim taxable profits.

The advance to £9.51m (£8.34m) came on a 9 per cent rise in turnover to £134.82m (£123.43m) in the six months to September 30. Interest costs were reduced from £1.75m to £772,000. More than £16m of turnover and £867,000 trading profit were attributed to the office equipment division, which was sold in July.

Continuing activities produced turnover of £118.44m (£99.66m) and trading profit of £9.41m (£8.79m).

Fully diluted earnings per share rose to 15.5p (14.06p). The interim dividend goes up to 6.325p (5.75p).

● COMMENT

Wagon looks set to be one of the few engineering companies to produce profits growth both this year and next, assuming the UK does not go into deep recession. The disposals are welcome, from the point of view of focusing the business and for the balance sheet. Although demand is down in the UK – by about 20 per cent on the materials handling side – growth can still come from overseas sales and previous weak performers. With capital spending, which is likely to rise from £8m to £10m this year, the emphasis is on reducing unit costs. Mr Hudson warned that any wage rise above 4 per cent would have to be covered by productivity. To help restore the desired 50:50 split of turnover between the UK and overseas, a priority for acquisition is a materials handling concern on the continent. Pre-tax profit is forecast to rise to £23m (£20.5m) this year. On yesterday's unchanged price of 343p, the prospective p/e is 9.4, a fair rating.

Lower margins and $ hit NSM

By Richard Gourlay

NSM, the opencast coal mining company born out of Burnett and Hallamshire, reported interim profits sharply down following a fall in UK margins, the weakening of the dollar and a permitting delay in the US.

Pre-tax profits fell 32 per cent to £7.2m on turnover up 11 per cent at £97.8m but the company has declared an interim dividend for the first time since 1984 with a payment of 0.5p.

The drop in earnings per share to 2.04p (3.6p) was greeted by the market with a 10p fall in the share price to 55p.

The company was also hit by higher interest charges, up £220,000 at £3.8m. Gearing at the half-year stage was around 55 per cent.

● COMMENT

Yesterday's gloomy results from NSM demonstrate how uncomfortable times are for companies which are exposed to the UK construction sector and dependent on US dollar earnings.

NSM are both. Add a UK coal sector in which British Coal is squeezing margins and a gearing level that could be heading for 65 per cent by year-end and the market's reaction yesterday was unsurprising.

On the plus side, better prices are likely for small UK coal miners, following pressure on British Coal by the European Commission, and Bison may soon start to benefit from a thinning out of capacity in the housing supply market.

Nevertheless, there can be few companies more anxious to see interest rate cuts.

Analysts are looking for full year pre-tax profits of around £22m, with earnings of 6.5p, giving a prospective multiple of 8.5 times.

Shanks 25% rise ahead of City expectations

By Juliet Sychrava

SHANKS & McEWAN, the construction and waste management group, yesterday announced pre-tax profits of £10.4m for the half year to September 29, up 25 per cent on the previous £8.3m and slightly better than City expectations.

Earnings per share rose 20 per cent to 31.6p (26.3p), and the interim dividend is lifted by a like percentage to 10.2p (8.5p) in line with policy.

Turnover was marginally down at £57.28m, against £58m. That was the result of the expiry of civil engineering contracts in the construction division.

However, order books were now full, and turnover for that division for the year was expected to be broadly similar to last time, said Mr Peter Runciman, chairman.

Turnover rose 22 per cent in the higher margin waste disposal business, which typically contributed close to 90 per cent of profits; the full year figure was likely to increase by a similar factor.

Pre-tax profit on the waste side was up by over 20 per cent, mainly stemming from increased prices and a better mix of business, with more volumes of difficult, high margin waste. Total tonnage handled was only up by around 7.5 per cent. "We control costs extremely carefully. Everything else is prices," said Mr Roger Hewitt, managing director.

The overall margin on turnover increased as a result of the higher contribution from the waste business. Margins for handling difficult wastes can be well above the return of approximately 20 per cent on ordinary refuse.

● COMMENT

The heading "where there's muck . ." in a recent BZW report on the waste management sector rings true for Shanks & McEwan, a company unlikely to find itself short of a bit of brass. Imminent and stringent EC legislation on landfill, together with the UK Environmental Protection Act, should stimulate demand for the company's high quality landfill sites, and there should be scope to charge for that quality in the long-term. The company's reputation means it is well-placed to implement its plans to move upmarket into handling difficult waste. However, on a prospective p/e of 18 on forecast profits of £21.5m it is a long-term quality holding rather than a buy. The negligible gearing and cash-generative nature underpins expectations of a healthy final dividend.

Glaxo in Canadian joint venture

By Clive Cookson

Glaxo, the largest UK pharmaceutical company, is forming a joint venture with IAF BioChem of Canada to commercialise future drugs for cancer and viral diseases.

Glaxo also agreed to buy £11m worth of IAF Biochem shares over 18 months. It has a two-year option to purchase a further £14m worth, which if exercised would give Glaxo a 20 per cent stake.

The agreement gives the company world-wide access to discoveries resulting from IAF BioChem's research into cancer and viral disease.

● Glaxo has appointed its first woman director. Mrs Anne Armstrong – former US Ambassador in London – will be a non-executive director.

Lower car sales cause 40% decline at Trimoco

By Jane Fuller

THE CONTINUED impact of the consumer spending squeeze on car sales reduced Trimoco's interim pre-tax profit by nearly 40 per cent to £1.71m.

The comparative figure of £2.8m for the six months to September 30 1989 was itself a 27 per cent drop on the previous year. This time turnover from the Dunstable-based motor distributor was down too, by 12 per cent to £133.3m (£150.73m).

Interest costs of £2.12m (£1.8m) were covered only 1.8 times by an operating profit of £3.83m (£4.61m).

Gearing was, however, cut to 66 per cent, mainly thanks to the increase of shareholders' funds following the conversion of loan stock and a £1.8m surplus from property revaluation. Mr Duncan Naughten, development and property director, said the upgrading of property values, only nine months after the previous review, had come as a "bit of a surprise".

Debt, which stood at nearly £26m, had also been reduced by about £1.3m through tighter control of stocks and debtors.

Trading profit from the automotive division fell from £3.55m to £2.66m. The group is 70 per cent dependent on Ford, which has been losing market share in the UK. Mr Naughten said the new Ford Escort had not taken off as well as hoped.

New car sales in August had been down by 13 to 14 per cent, as expected. September was worse. Margins were tight, especially as two thirds of sales were to company fleets.

Despite an improvement in October, he expressed great caution about the second half. A cushioning factor was that 58 per cent of dealership profit came from servicing, parts and bodywork.

Property profit inched ahead to £1.17m (£1.06m) as rental income from the group's own locations rose by nearly £300,000 to £942,000. Sales declined to £229,000 (£387,000).

Fully diluted earnings per share fell to 0.89p (1.6p). The interim dividend is held at 0.6p.

The share price closed at 14½p yesterday, which compares with a net asset value per share of nearly 24p.

Following the loan stock conversion, the Saudi Arabian Jameel organisation's stake increased to nearly 30 per cent.

Competitor fails to halt Kwik Save's growth

By Maggie Urry

THE THREAT of price-cutting competition from a new competitor appeared not to have depressed Kwik Save, the discount food retailer, which reported annual profits up 16.5 per cent to £85.3m. However, the shares dipped 7p to 447p.

Referring to Aldi, the aggressive cut price German food retailer which has opened a handful of shops in the UK, Mr Graeme Seabrook, chief executive, said that after some months, with Aldi trading in close proximity to five Kwik Save shops, "Aldi does not seem to be affecting our business at all."

He said the group was not complacent and was meeting Aldi's prices where it traded against Kwik Save.

Sir Timothy Harford, chairman, announced that Mr Simon Keswick, chairman of Dairy Farm International, the Hong Kong group which has a 25 per cent stake in Kwik Save, was joining Kwik Save's board as a non-executive. Sir Timothy said that since Dairy Farm had taken its stake in July 1987 the relationship had been fruitful. "We see Dairy Farm as a friend and ally and not a predator." Mr Arthur Edwards, a long time Kwik Save director has retired because of ill-health.

The results showed that Kwik Save had managed to improve its operating margin in the second half of the year, after a dip in the first half, although for the year the margin fell from 5.8 to 5.6 per cent.

For the year to August 25 sales were 22.7 per cent up at £1.52bn and operating profits 17.2 per cent ahead at £80.4m.

Sales growth had included volume growth in comparable stores of 10.2 per cent, although this was slower in the second half than the first.

Interest receivable was £4.9m (£4.6m) and at the year end the group had cash of £33.2m (£39.5m). Capital expenditure of £61.1m was financed from cash flow and cash balances. Mr Simon Moffat, the group's new finance director, said

Graeme Seabrook: company is better positioned than before

spending in the current financial year would reach £90m and would again be funded from the group's internal resources.

Earnings per share were 14.7 per cent up at 36.25p. An increase of 15.1 per cent in the final dividend to 8.4p (7.3p) is proposed to give a total of 12.1p (10.5p), a 15.2 per cent uplift.

● COMMENT

The panic about the arrival of Aldi in the UK, and the expected appearance of other continental European food retailers, seems to have been overdone. Kwik Save has not been bounced into a widespread price war, and not only because Aldi seems to have found site-finding even more difficult than established retailers. Kwik Save's format, although still essentially "no-frills", seems far ahead of the Aldi formula. Kwik Save's change in strategy, begun in early 1988 – moving to scanning so enabling wider ranges of products, which in turn gives it the chance to grab a larger share of the shopper's weekly purchases and increase market share – puts Aldi far behind. Profits should top £100m this year and with a following wind could reach £104m, giving a p/e of 10.2, which like Kwik Save's prices, looks cheap against the classier superstore operators.

UK COMPANY NEWS

Power structure switches to plug team approach

David Thomas on Midlands, a favourite in the City

UNSPECTACULAR AND unflashy, Midlands Electricity has emerged as a quiet favourite among many of the followers in the City of the 12 regional *electricity companies.*

"You cannot over-emphasise the importance which should be placed on management quality. And Midlands is a very well managed company," says one analyst who has been following the electricity privatisation.

Institutional investors have been impressed by Midlands' team approach to management – a philosophy often espoused by companies, but more rarely put into practice. Mr Bryan Townsend, the company's 60-year-old chairman, is happy to deflect the limelight from himself.

"You have to plan for the long term. It's no good having one man dominant. We have to plan for succession," he says.

The Midlands chairman has surrounded himself with a relatively young and well-regarded group of top managers including Mr Richard Young, managing director, and Mr Roger Murray, marketing director. Yet this does not reflect any weakness on the chairman's part: Mr Townsend's avuncular style is said by industry insiders to disguise a tough and effective manager. Indeed, old electricity hands believe that Mr Townsend was unfairly passed over for a regional company chairmanship for several years because his manner grated with ministers' Thatcherite style.

Midlands has also been careful to strengthen its management immediately below board level. Besides bringing in people from the private sector, Mr Townsend persuaded Mr Darrell Bevelhaymer, marketing director of Texas Utilities, the largest power company in Texas, to move to Birmingham to negotiate Midlands' power contracts.

The company has recruited a 20-strong team of economists to model its local economy, believing this to be the key to understanding its prospects in the private sector: the amount of electricity travelling over its local distribution network, where most of its profits are made, will depend on the economic fortunes of its home territory.

Mr Townsend argues that *the region's economy is more* resilient, thanks to the shake-out of manufacturing in the 1980s.

It boasts some growth points such as Telford new town and the prosperous rural belt around Gloucester – its local territory goes well beyond the traditional borders of the West Midlands.

Nevertheless, Mr Townsend accepts that his region is still a shade less robust than that served by East Midlands Electricity, its sister company. Midlands is still highly dependent on manufacturing and therefore particularly vulnerable to recession.

"The pattern in the past has been that we have tended to suffer more during recession and prosper more during a boom," acknowledges Mr Murray.

Mr John Wilson, electricity analyst at UBS Phillips & Drew, believes Midlands' local economy will perform badly this year, followed later by growth in line with the national economy.

Some of the myriad of medium-sized factories in the region might also begin to generate *their own electricity.* The privatised framework makes this option more attractive to customers, but it would hit Midlands' core distribution business.

However, Midlands has anticipated this development by announcing plans for a new business installing small-scale own-generation plant for industry, known as combined heat and power.

On the negative side, Midlands still has a backlog of investment, reflected in the 46 per cent jump to £101.3m in its capital programme last year. The company reined in capital spending in the early 1980s as its region plunged into a recession which left stranded electricity assets as the region restructured.

Capital spending is forecast to increase by 8 per cent by 1993-94, as the company tackles the backlog, forcing it to increase its borrowings.

Meanwhile, the scope for further cost-cutting is limited since Midlands has already pared back its staff. Mr Young explains: "We did no differently than any other company in the West Midlands in the 1980s. We had a major review of our overheads."

Mr Townsend is irritated by suggestions that his company is one of the least exciting of the 12 regional electricity companies.

As evidence to the contrary, he points to *Midlands'* agreement to take 500 megawatts of power from the new ICI Enron power station on Teesside – the biggest stake yet by a regional company in an independent power producer.

But Midlands' attractiveness is precisely that it is middle-of-the-road. Its 8.36 per cent issue yield, together with the other launch conditions set by the government, reflect the company's fundamentals: they are sandwiched mid-way between the more vulnerable northern companies and the more prosperous southern concerns.

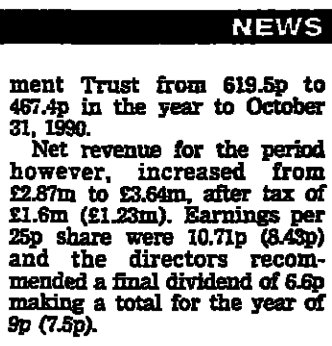
The 12 regional electricity companies are being marketed as safe investments which will deliver steady, but unexciting earnings growth. Midlands is likely to fulfil this tag to perfection: it is a utility stock *par excellence.*

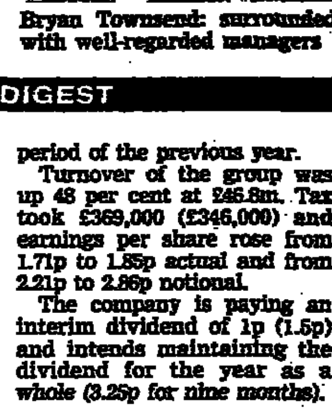
Customer breakdown of sales

	Midlands(%)	Industry(%)
Domestic	33.8	34.4
Commercial	22.6	25.9
Industrial	41.3	36.7
Other	2.2	3.0

Source: UBS Phillips & Drew

Midlands Electricity





Bryan Townsend: surrounded with well-regarded managers

Publication dates of previous profiles

Eastern	Oct 9
Seeboard	Oct 16
South Wales	Oct 23
Norweb	Oct 30
Southern	Nov 6
Manweb	Nov 13
Northern	Nov 16
London	Nov 20
Yorkshire	Nov 23
East Midlands	Nov 27

This is the 11th profile in the series on regional electricity companies. The final profile, on South Western Electricity, will appear tomorrow.

NEWS DIGEST

Verson pays £6m for US acquisition

VERSON INTERNATIONAL Group, the West Midlands-based investment holding company, has conditionally agreed to acquire the Taylor-Winfield Corporation, a US-based engineering equipment manufacturer, for £6.4m.

The company also announced pre-tax profits for the six months to July 31 ahead 18 per cent to £563,000 compared with £476,000. Turnover amounted to £34.74m (£25.31m) and earnings worked through at 0.61p (0.5p) per share. An interim dividend of 0.3p (0.21p) is being paid.

The acquisition will be by way of a merger between VIG, a subsidiary of Verson formed for the acquisition, and Denton & Anderson, the parent company of Taylor-Winfield.

Consideration will be satisfied by the issue to the vendors of 18.02m new 10p ordinary of which 6.44m have been conditionally placed at 35.5p per share.

Antares deficit cut to £744,000

Antares Group cut losses from £931,000 to £744,000 in the first half of 1990, reflecting continued rationalisation and the inclusion of 100 per cent of Mynos.

The directors of the group, formerly United Guarantee, said they continued to explore ways of developing the group into a profitable one, and the reorganisation was essential to reduce gearing and sell peripheral and non-performing businesses.

Bank borrowings would shortly be eliminated when the final proceeds from the disposal of Interlux and Precision Metalwork were received.

Loss per share in the half year came to 0.96p (1.97p).

Dunedin Worldwide net assets decline

The depressed state of world markets was reflected in a 25 per cent fall in net asset value of Dunedin Worldwide Investment Trust from 619.5p to 467.4p in the year to October 31, 1990.

Net revenue for the period however, increased from £2.87m to £3.64m, after tax of £1.6m (£1.23m). Earnings per 25p share were 10.71p (8.43p) and the directors recommended a final dividend of 6.5p making a total for the year of 9p (7.5p).

Provisions of £3.5m put Chancery in loss

Provisions totalling more than £3.5m on its loan book turned Chancery into losses of £1.27m in the six months to September 30, against profits of £3.88m in the first half of last year.

Mr Harvey Cohen, chairman and chief executive of the group, which is involved in commercial banking and related services, said the provisions were necessary because of falling property values. Only half of the loan book was property based and moves had been taken to restrict lending in this area. However, further provisions might be needed in the second half.

The board has decided not to pay an interim dividend – last year's payment at this stage was 3.1p.

Small increase at Optometrics

Optometrics Corporation, the USM-quoted optical systems group based in Massachusetts, lifted pre-tax profits from $125,000 to $134,000 (£68,000) in the six months ended September 30.

Turnover advanced to $1.85m ($1.58m) and earnings rose from 0.9 to 1 cent. Mr Frank Denton, chairman, said that there was "some erosion of the order book among the OEM customers", and that it was prudent to take a cautious view of the second half.

Alba profits up 8% on comparable basis

Alba, maker of audio, video and consumer electronic equipment, which has changed its year end has produced a pre-tax profit of £1.05m for the six months to September which is an improvement of 8 per cent on the strictly comparable period of the previous year.

Turnover of the group was up 48 per cent at £46.8m. Tax took £369,000 (£346,000) and earnings per share rose from 1.71p to 1.85p actual and from 2.21p to 2.86p notional.

The company is paying an interim dividend of 1p (1.5p) and intends maintaining the dividend for the year as a whole (3.25p for nine months).

Property sale boosts Bexbuild to £0.56m

Taxable profits at Bexbuild Developments, the USM-quoted property investor, jumped from £129,000 to £555,000 in the half-year to September 30, thanks to the realised surplus of £411,000 on the sale of the investment property on Finchley Road, London.

The profit on ordinary trading activities was up at £144,000 (£129,000) on turnover of £347,000 (£1.06m). Mr Philip Shapiro, chairman, said that the decrease in turnover reflected the lack of trading activity in the property market generally. The turnover figure relates entirely to rental income received.

Earnings rose to 7.7p (3.3p) per share.

Wescol hit by contract losses

After providing for contract losses of nearly £1.2m, Wescol Group has seen its pre-tax profit cut from £1.48m to just £60,000 in the year ended July 31 1990.

The group is a structural engineer and joined the USM a year ago. The losses arose principally from the appointment of receivers at Rush & Tompkins in April and at two other companies in July, explained Mr John Hicks, the chairman.

Loss per share was 0.3p (earnings 11.5p) and there is no final dividend, so the 1.5p interim represented the year's payment.

Turnover rose from £19.5m to £28.7m.

Multitone at £0.9m and cuts loan costs

Multitone Electronics, a designer and maker of specialised radio communications systems, raised taxable profits from £73,000 to £905,000 in the half year to October 31.

Benefits from new products launched the previous year led to a 6.5 per cent increase in turnover at £10.72m (£10.07m).

Interest charges fell by 53 per cent from £338,000 to £159,000. After tax of £905,000 (£73,000), earnings per share worked through at 4.1p, against a loss of 0.4p. Interim dividend is 0.75p (nil).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- BPB Inds., Castings, Dewson Intl., Hunter Saphir, Jarvis Porter, Kembrey, Mountview Estates, Osborne & Little, Percy & Glass, Premier Cons. Oilfields, Stocklake Hldgs., Vosper Thornycroft.

Finals- Capital Radio, MEPC, Royal Bank of Scotland, Scottish Inv. Tst., Sidlaw, South West Water.

FUTURE DATES

Interims-

Asprey	Nov. 30
Dartmoor Inv. Tst.	Dec. 6
Flagstone Hldgs.	Nov. 29
Greycoat	Dec. 5
Jones, Stroud (Hldgs.)	Dec. 7
Mitie	Dec. 14
Scot. & Newcastle	Dec. 16
Wardell Roberts	Dec. 11

Finals-

Avon Rubber	Dec. 5
Blick	Dec. 11
Chrysalis	Dec. 7
Holmes & Marchant	Dec. 4

PUBLIC WORKS LOAN BOARD RATES

Effective November 7

	Quota loans repaid			Non-quota loans B* repaid		
Years	by EPY†	At‡	at maturity§	by EPY†	At‡	at maturity§
1			12⅞			13
Over 1 up to 2	12¾	12¾	12	13¼	13¼	13
Over 2 up to 3	12⅝	12⅝	11⅞	13⅛	13⅛	12⅞
Over 3 up to 4	12	12	11⅞	13	12⅞	12⅝
Over 4 up to 5	12	11⅞	11⅞	13	12⅞	12⅝
Over 5 up to 6	11⅞	11⅞	11⅞	12⅞	12⅝	12⅝
Over 6 up to 7	11⅞	11⅞	12	12⅞	12⅝	12⅝
Over 7 up to 8	11⅞	11⅞	12	12⅝	12⅝	12⅝
Over 8 up to 9	11⅞	11⅞	12⅛	12⅝	12⅝	12⅝
Over 9 up to 10	11⅞	11⅞	12⅛	12⅝	12⅝	12⅝
Over 10 up to 15	12⅛	11⅞	11⅞	12⅝	12⅝	12½
Over 15 up to 25	12	11⅞	11⅞	12⅝	12⅜	12½
Over 25	11⅞	11⅞	11⅞	12⅜	12	12

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

هكذا من الأصل

IS YOUR COMPANY PREPARED FOR THE COMING SHORTAGES?

There is a natural resource without which no business can survive. Until now, it has constantly replenished itself to provide industry with all that it has required.

Supplies, however, are beginning to dwindle. It is estimated that fresh reserves will be down to four fifths of current levels by 1995. In an unprecedented situation, shortages are expected to become a reality over the coming years.

This vital resource is skilled people. And as every business person knows, when supply goes down the competition to satisfy demand becomes intense.

Which is where CIGNA can help. As one of the world's leading providers of employee benefits, we are already helping thousands of companies to keep and attract the right people.

Not through bigger cars, bigger salaries and bigger pensions. But with the types of benefit packages that can give your company a competitive edge.

Our innovative programmes include high quality health care, dental care, permanent health insurance and life and accident cover. With their emphasis on personal protection, these benefits can demonstrate a real commitment to your employees' health and well-being.

As a result, your company can enjoy the benefits of increased staff loyalty and an ability to recruit more effectively. Just what is needed to be well prepared for the manpower shortages of the nineties.

For more information about CIGNA's employee benefits products and services contact Graham Bignall on 0800 181585.

CIGNA

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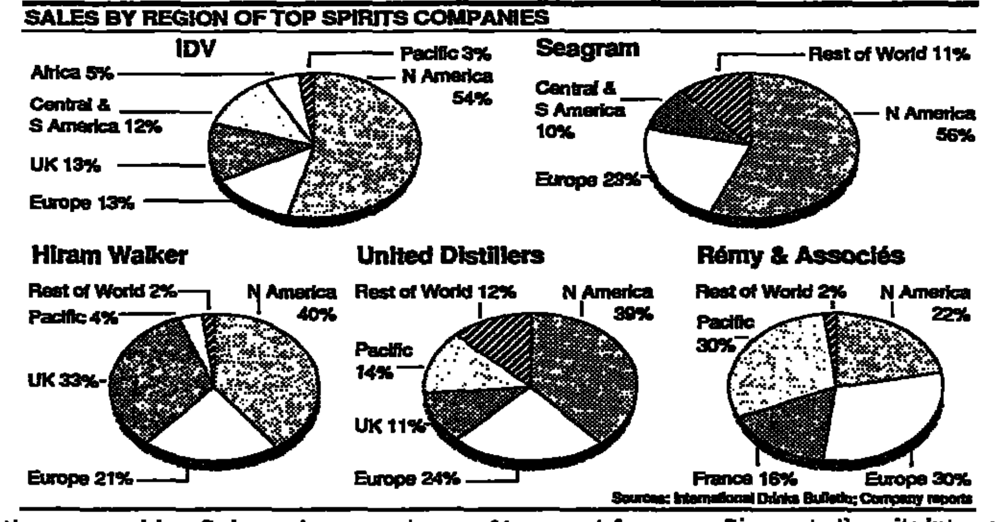
World spirits market

How firmer control boosts the margins

Philip Rawstorne on the value of distribution



The international spirits industry is now poised to become one of the most prosperous consumer industries of the 1990s.

International luxury brands of spirits are almost everywhere gaining share from traditional local products in a world market which has shown little, if any, overall volume growth in recent years.

A trend to drinking less but drinking better is well established, reflecting both the health concerns of an ageing population in the US and western Europe, and rising incomes in south-east Asia.

Multinational groups, though often hampered by restrictive import policies, are seizing the opportunities offered by this changing pattern of consumption.

The four leading international groups – Allied Lyons, Grand Metropolitan, and Guinness of the UK, and Seagram of Canada – hold only 10 per cent of the world spirits market. But they own 40 of the world's 100 best-selling and most profitable brands.

During the 1980s, they have increasingly switched the focus of their operations from production to marketing, enhancing products with brand images that appeal to status-conscious consumers.

In tandem, and particularly in the past few years, they have exerted increasing control over their distribution by forming, through acquisition and joint ventures, distribution networks that now cover all the world's major markets.

"While brand building is our paramount concern, strength in distribution is of critical importance to international brand development," says David Evans, chairman of Allied Lyons's Hiram Walker-Allied Vintners (Northern Europe).

Without such strength, no brand with international pretensions can hope to make much headway, as is demonstrated by Highland Distilleries' recent £76m deal with Rémy Martin, the French cognac, champagne and liqueurs group, to widen overseas distribution of its Famous Grouse Scotch whisky.

With it, the multinationals have reaped additional downstream profits from their brands by cutting out payments to agents; and they have been able to exercise much tighter control of both marketing and pricing strategy.

Without co-ordinated brand management, the results can often be damaging and sometimes anarchic. Guinness's United Distillers, for instance, found after the takeover of DCL that its brands were being handled by 244 agents in Europe, all "doing their own thing" and sometimes in fierce competition with each other.

Johnnie Walker Red Label whisky, the most international of its brands, was supported by seven advertising campaigns, each with a different message.

Control of prices and margins gives the company the ability to decide what proportion of the margin should be put behind the brands and how it should be spent.

By setting its own prices, it can also combat more effectively the problem of "parallelling" – cut-price competition from unofficial suppliers.

Pursuit of these advantages – stimulated in the European Community by the advent of the single market – has led to a flurry of activity.

Five years ago, third-party agents handled more than 50 per cent of HW-AV's brands. Now they handle only 12 per cent of its sales volume.

United Distillers controlled 25 per cent of its distribution in 1987; now it is 80 per cent.

Grand Metropolitan's International Distillers and Vintners controls roughly the same proportion of its sales. In Europe, it has extended its sway to over 94 per cent from 13 per cent four years ago.

Over 95 per cent of Seagram's annual $2.6bn sales now flow through its own distribution system.

Rémy Martin decided to create its own distribution network 15 years ago when it was still purely a cognac producer. Ralph Browning, chairman of Rémy & Associés, the group's distribution company, which now covers 165 countries, says: "We had very great difficulty in getting some of our agents to follow our marketing strategies. They wanted to go for volume, sell at a discount, and did not give a fig for the brand's image."

As Rémy started acquiring distributors in national markets, it found other benefits accrued. Browning says: "Without our own distribution system we would never have been able to expand into champagne (Krug and Heidsieck) and other drinks (Mount Gay rum and Galliano liqueur). The real cost of acquiring new brands is reduced if you can put them through an existing distribution system."

Seagram, which first began to establish a presence outside its North American base in the 1940s and 1950s, pursued a policy in Europe of acquiring national companies with strong local brands and then grafting on to them its international brands – Chivas Regal, Seagram's gin, 7 Crown, Mumm champagne.

In countries where political requirements or wide cultural differences called for local management expertise, it formed joint ventures with domestic drinks companies. The first was in Venezuela in 1959. More notably since then, it has joined up with Kirin, a leading brewer, in Japan; with Oriental Brewery in South Korea; and with others in Thailand and Taiwan.

"We supply the brands and marketing expertise; they supply the on-the-ground knowledge," says Ed McDonnell, president of Seagram International. "It minimises the risks and gives us more clout with the trade."

Like Rémy, Seagram has expanded its portfolio as it has extended its distribution, most recently acquiring Martell cognac. Because of its distribution strength, it has also become agent in some areas of the world for IDV and HW-AV, as well as several US groups.

For the late developers among the drinks groups, catching up with these pioneers has been one of the major tasks of the 1980s.

Grand Metropolitan's IDV, with brands such as J & B Scotch and Gilbey's gin, pushed into the US in 1980 by buying Alfred Liggett, the tobacco group, for its drinks distribution companies, Paddington Corporation and Carillon Importers. It strengthened its grip on the market with the acquisition of Heublein – which also owned Smirnoff, the world's best-selling vodka – in 1987.

In Europe, IDV has bought stakes in Rémy Cointreau in France, and in Cinzano, the Italian vermouth company, and set up joint marketing arrangements with them in several countries. It has since acquired Sambuca Romana in Italy, Metaxa in Greece, and a few weeks ago completed its EC network with the £100m purchase of AED, its agent in Spain for the past 27 years.

"Our primary concern is to ensure that as good a job as possible is done for the brands," says Tim Ambler, IDV's joint managing director.

In some instances, old associations with family-owned companies cannot be bettered. HW-AV is now entrusting its recently-acquired Beefeater gin in Spain to the Domecq sales force which in the past 10 years has boosted sales of its Ballantine's Scotch whisky from 160,000 to 1m cases.

As premium spirits brands have become more expensive to acquire, the drinks groups have turned increasingly to joint ventures as a means of filling gaps in both their portfolios and their distribution networks.

HW-AV has gained entry to the rich Japanese market through a joint venture, cemented by reciprocal equity stakes, with Suntory, that country's largest drinks group.

Joint ventures have featured strongly in the distribution strategy of United Distillers. The centrepiece of its international network is its alliance with the French group, Louis Vuitton-Moët Hennessy, which has put together a formidable array of the world's number one brands: Johnnie Walker Scotch whisky, Gordon's gin, Hennessy cognac, and Moët & Chandon champagne.

"With partners who share the same marketing objectives and philosophy, and who bring complementary brands together, the advantages are enormous," says Tony Greener, UD's managing director. "Both partners can achieve a substantial change in terms of scale and market presence without investing vast amounts of money; and when it comes to solving problems, two heads are often better than one."

Direct mail

Pan-European – in theory

Alice Rawsthorn explains that despite the advent of 1992, successful campaigns will still rely on niche markets

The next time a letter from Time Life or American Express thuds through your letterbox, take a look at the postmark. If you live in Europe, it is very likely to have come from the Netherlands.

Time Life and American Express are both beginning to execute their direct marketing programmes on a pan-European basis. They print copies of their subscription offers or insurance brochures in different languages and mail them from the Netherlands – where international postal rates are cheapest – across the continent.

Traditionally direct marketing has been a national discipline. A plethora of problems – language barriers, custom restrictions, and, most important, different levels of regulation in different countries – have made it too costly and complex to execute pan-European campaigns.

Some of these problems – customs restrictions and regulatory differences – should disappear after the introduction of the unified market in 1992. This should, or so the optimists in direct marketing hope, encourage more companies to invest in direct marketing across Europe.

Direct marketing is the umbrella term for all the different marketing techniques used to elicit direct responses from customers. It includes everything from direct mail, to telephone selling and mail order advertising.

The European industry – which is dominated by the direct marketing subsidiaries of international advertising agencies such as Ogilvy & Mather, Foote Cone & Belding, Grey and Saatchi & Saatchi – expanded rapidly in the 1980s.

The trend towards niche marketing encouraged companies to divert expenditure away from traditional mass marketing techniques. Advances in information technology helped them to be more accurate at identifying targets for direct mail campaigns. The growth of consumer credit and introduction of "0800" freephone numbers made it easier for consumers to respond to direct marketing offers.

Yet whereas other forms of marketing – notably advertising and, to a lesser extent, design – became more internationalised in the 1980s, direct marketing continued to be a national discipline.

This is partly because direct marketing is, by definition, a tightly targeted form of marketing aimed at clearly defined groups. Yet there are also practical problems that deter companies from adopting a pan-European approach.

● Language is an obvious difficulty. The cost of producing direct mail literature and mail order catalogues in different languages is prohibitively high, particularly as clients lose the benefits of economies of scale in production.

● Custom barriers also make it difficult for companies, especially mail order advertisers, to send goods across as do the logistical problems of different VAT rates and address formats.

Very strict data protection laws

● Regulations over direct marketing vary from country to country. Data protection laws are very strict in West Germany, but virtually non-existent in Spain and Portugal.

Some companies, such as American Express and Time Life, have ignored these obstacles. However, Tim Godden, managing director of Wunderman Europe, part of the Young & Rubicam group, says that although some companies now adopt common European strategies they still implement their programmes on a local basis.

There are relatively few examples of fully fledged pan-European programmes, that have been run on a continental scale. These programmes tend to be restricted to the sale of highly specialised products to small groups. Godden cites the example of Du Pont which recently ran a pan-European programme from Wunderman's Brussels office targeted at 2,000 specialist chemical engineers.

After 1992 some of the old obstacles will be swept aside. The abolition of customs barriers should make it easier for mail order companies to operate in other countries.

Data protection regulations will be unified after 1992. Earlier this year the European Commission issued a directive proposing to raise regulation across the community to the same level as West Germany.

Industry opinion is divided on the directive. Some, such as Miles Young, managing director of O&M Direct Europe, hope that higher standards will make the industry more sophisticated and clamp down on the cowboy "junk mail" operators that send out untargeted, blanket mail shots.

Others, like Tony Coad, managing director of NDL International, a database company, are concerned that the new regulations are too strict. He fears it will be so difficult to gain access to data on consumers that targeting will become less accurate and junk mail could actually increase. The European Direct Marketing Association is now lobbying against the directive.

Whatever the outcome, the old language and logistical problems that have inhibited pan-European direct marketing in the past will still exist after 1992.

The industry also faces the problem that relatively few client companies are structured – in terms of taking strategic and budgetary decisions – to conduct direct marketing on a pan-European basis.

Miles Young says European projects are already the "fastest growing" part of O&M Direct's business, but that most of the demand comes from US companies which already use direct marketing in North America, not from European companies.

The more cautious members of the industry suspect that most direct marketing campaigns will still be conducted on a national basis and that there will still be relatively few pan-European programmes.

"There is bound to be an increase in pan-European direct marketing," says Tim Godden of Wunderman. "But if you ask me whether I expect to wake up on January 2 1993 to find direct mail from France piling up in my letterbox? The answer is no."

COMPANY NOTICES

MITSUI TAIYO KOBE AUSTRALIA LIMITED
U.S.$50,000,000
Guaranteed Floating/Fixed Rate Notes Due 2000

In accordance with the terms and conditions of the notes, we hereby give notice that the U.S.$ Libor for the period from 29th November 1990 to 29th May 1991 was fixed at 8.109375 giving the Interest Rate of 8.609375. On 29th May 1991 interest of U.S.$10,821.51 will be due per U.S.$250,000.

The Mitsui Taiyo Kobe Bank Limited
London Branch
Agent Bank

Dated: 29th November 1990

LEGAL NOTICES

K D CHAMBERS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: The Russell Hotel, 136 Boxley Road, Maidstone, Kent ME14 2AE on Tuesday 4 December 1990 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than noon on 3 December 1990, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date: 21 November 1990

N J Vooght
Joint Administrative Receivers

Cork Gully
Orchard House
10 Albion Place
Maidstone, Kent, ME14 5DZ

KOHLI & COMPANY LIMITED

We, N J Vooght and J M Iredale of Cork Gully, 8 Greyfriars Road, Reading RG1 1JG hereby give notice that on the 20 day of November 1990 we were appointed Joint Administrative Receivers of the above named company by Schroder Discount Limited under the terms of a debenture dated 11 October 1990 giving the holders a fixed and floating charge over the whole of the assets of the company.

N J Vooght
Joint Administrative Receiver

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 30th November, 1990 to 31st December, 1990 has been fixed at 8⅛% per annum. On 31st December, 1990 interest of U.S. $6.942708 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st December, 1990 will be determined on 27th December, 1990.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

OBITUARY

HOLROYD PEARCE – On November 26th, 1990 peacefully at home. Edward, The Right Honourable The Lord Pearce of Sweethaws, aged 89. Funeral private. Memorial Service to be arranged later.

BUSINESS LAW

Romania poised to play big role in region's investment game

By Daniel Arbess

MAKE WAY for a new entrant in the eastern European competition for US and European investment – Romania, the Balkan nation of 23m and historically (in annual dollar terms) the US's largest trading partner in the region.

After last December's revolution, Romania got off to a slow start in terms of investor interest compared to its northern neighbours in Czechoslovakia, Hungary and Poland. Political instability is said to be the problem.

Although the December revolution successfully dislodged the dictator Ceausescu, observers were troubled by the bloodshed (including the summary execution of Ceausescu himself).

In recent months, the new government, led by Ion Iliescu, has been criticised for its use and threatened use of force to quell public dissent.

The resulting unfavourable press coverage has slowed tourist and business traffic to the capital and chilled technical and financial assistance discussions with the EC and various western countries.

Bucharest, however, says it is committed to democracy and human rights.

As the situation stabilises, aid and trade discussions should resume and western governments will re-consider Most Favoured Nation (MFN) status, along with access to trade finance credits, political risk insurance, and trade and investment protection agreements.

Meanwhile, the Romanians have taken impressive strides toward establishing a legal framework for foreign investment and rapid economic transformation.

For the prospective foreign investor, the centrepieces of this effort are a new decree-law on foreign investment, adopted on 20 March, 1990, a law on the reorganisation of state enterprises adopted on 7 August 1990, and a set of proposed legislative enactments and amendments now pending before the Romanian parliament.

The law on state enterprises features detailed procedures for transforming state enterprises into shareholding companies with government-appointed boards of directors. Thirty per cent of the shares of these companies will be distributed to the public at a nominal price. The rest will be sold at market value to domestic and foreign investors under the supervision of a newly established National Agency for Privatisation.

The criteria to be applied by the agency in selecting types and percentages of enterprises to be privatised, and valuation techniques, will be established in legislation now being finalised.

The state enterprise law also sets up a mechanism for the leasing of land and other state-owned property.

Such "concessions" will be granted to domestic and foreign investors on the basis of public auctions organised at the request of the ministry of trade and industry. Their maximum term is 20 years.

The good news is that Romanian tax rates compare favourably with those of neighbouring countries

The foreign investment law allows investors to establish joint ventures or 100 per cent owned domestic companies in all but a small number of "strategic" industries.

These companies are to be organised as joint stock or limited liability companies under existing and proposed company laws.

The establishment of a wholly foreign owned company requires "government" consent, although it is not immediately clear from the legislation which branch or agency.

Joint venture companies can be established with approval of the supervising ministry of the Romanian partner and the ministry of trade and industry. Romanian officials have indicated that a revision now being prepared will replace these approvals with a simple registration procedure.

Once established, joint ventures are free to operate completely outside the Central Plan (70 per cent of whose "targets" have already been eliminated, according to Romanian officials).

Accordingly, such companies can buy and sell domestically and abroad in the currency of their choice.

But there is a downside here. During the present period of transformation it may be difficult to find reliable sources of domestic supply.

If the experience in the Soviet Union and other soft currency economies in the region is any indication, surviving suppliers can be expected to take advantage of their own freedom and demand payment in hard currency from joint venture companies.

If a company manages to navigate these pitfalls and turn a profit, the good news is that Romanian tax rates compare favourably with those of neighbouring countries. Profits are taxed at an annual rate of 30 per cent (Czechoslovakia's rate is 40 per cent) after deduction for depreciation and reserve fund contributions (up to 5 per cent of invested capital).

There is an automatic exemption on income tax for two years "flowing from the turnover of the taxable income", and the ministry of finance can grant a 50 per cent reduction in the tax for an additional three years if profits are reinvested in Romania.

Dividends are taxed at 10 per cent (compared with 25 per cent in Czechoslovakia). The new Agency for Foreign Investment Promotion is also working on special tax waivers, subsidies and other incentives to attract western capital in particularly important sectors of the economy, including food processing, tourism and telecommunications.

As is always the case for western investors in central and eastern Europe, the make or break factor is likely to be the joint venture's right to earn and retain foreign currency, and the availability of foreign currency for dividend distribution and remission.

Romanian companies with foreign capital participation may retain 100 per cent of their foreign currency earnings (the limit for domestic companies is 30 per cent, to be increased to 50 per cent early next year). Surplus foreign exchange can be used to pay dividends to the foreign shareholder.

But what happens if the company has no foreign exchange surplus - what can the foreign shareholder do with its Romanian profits? Under the current law an annual amount up to 8 per cent of the foreign shareholder's "invested capital" will be converted to foreign currency by the Romanian Bank for Foreign Trade (RBFT) and may be transferred abroad.

Remaining domestic profits must be used for reinvestment or to buy Romanian goods and services.

Meanwhile, a pending amendment would reportedly provide for total repatriation of lei profits, subject to a 50 per cent levy by the RBFT.

The government also plans to move quickly to make the leu convertible, beginning early next year with periodic devaluations and hard currency auctions which will be open to joint venture companies.

Keep an eye on Romania. With its large and hungry domestic market, access to the Soviet market and apparent commitment to market reforms, it promises to become a significant player in the region's investment and privatisation game.

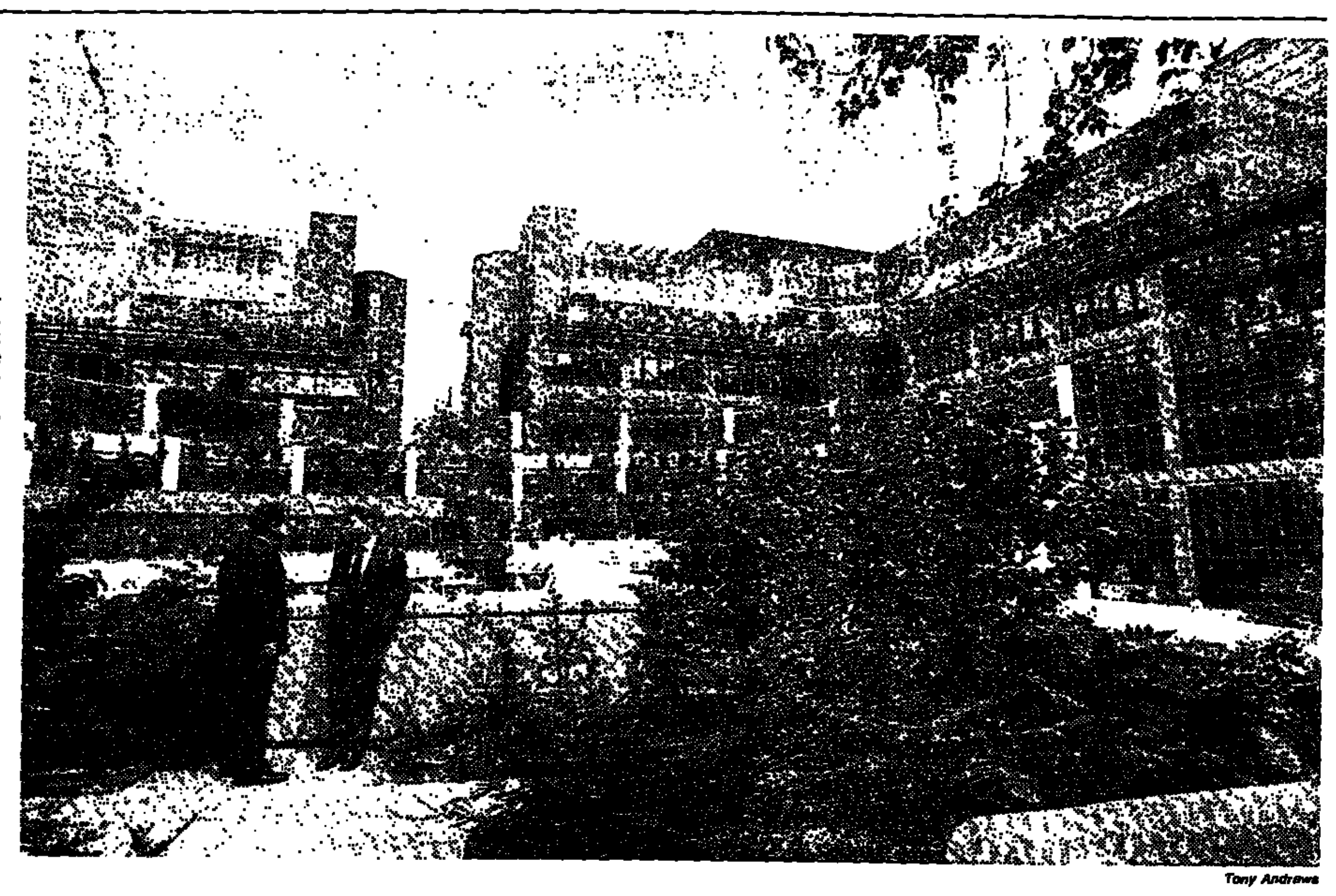
The author is a lawyer with the American law firm of White & Case.

A FINANCIAL TIMES SERIES: Part 10

EUROPEAN FINANCE AND INVESTMENT

LONDON

London's position at the head of Europe's financial centres is not expected to come under threat in the near future. However, the changes that are taking place in Europe and the recent upheavals in the City mean that the capital cannot take everything for granted. **David Lascelles** investigates



Tony Andrews

The Broadgate development, next to Liverpool Street station, on the eastern border of the City

No room for complacency

AS A European financial centre, London has been in a class of its own for so long that it is hard to imagine it coming under threat. And it probably will not for some time – which is good news for the UK's invisible exports.

But the momentous changes that are taking place in Europe along with the upheavals which London itself has been through recently have at least alerted many people in the City of London that they can no longer take it all for granted.

"The message is clear: there is absolutely no room for complacency," says Sir Martin Jacomb, the chairman of the British Merchant Banks and Securities Houses Association, a City trade group.

One of the City's main anxieties was settled only a few weeks ago with Britain's entry into the Exchange Rate Mechanism. Apart from calming the markets, it firmed up the UK's political commitment to Europe, which the City welcomed.

Mrs Thatcher's subsequent resignation only reinforced that view. Although she had been instrumental in bringing about momentous changes in the City during her decade in office, her tough stand on Europe had recently come to be seen as obstructing the City's wider interests on the Continent.

London has a strong and obvious claim to be the financial capital of the European Community.

Apart from the enormous size and diversity of its banking industry (more than 600 banks from 70 countries at the latest count), it is home to the multi-trillion dollar foreign exchange and Euromarkets. Its stock exchange is the world's most international, trading all the leading blue chip stocks from other markets.

While many other centres, such as Paris or Frankfurt, can increasingly boast similar services, and new ones like financial futures, London still outdistances them in the range of its markets: insurance, shipping and commodities, for example.

It is also home to skills which are increasingly sought after, such as merchant banking and investment management. Its professional services – law, accountancy, property, technology – are among the most highly developed in the world.

Above all, London possesses the right atmosphere of professionalism and openness which attracts financial service industries.

This is something it has acquired from centuries of experience, rather like a patina. It is reflected particularly in the sophisticated approach of the Bank of England, which is recognised by other central banks as a world leader in matters of supervision.

With all these attributes it might seem strange that there is even an inkling of doubt about London's future. But those who observe the changing markets closely point to several factors which should make the City wary.

One is a distressing tendency to shoot itself in the foot. Although the restructuring which the City went through at the time of the Big Bang in 1986 was seen as a necessary step to get rid of outdated clubbish practices, the resulting turmoil was highly damaging. The losses it caused have disillusioned many banks, particularly foreign ones, and given London a reputation as a dangerous market.

The regulatory crackdown which accompanied Big Bang has hurt its image as a hospitable centre, though efforts are being made to correct that.

Another blow was the local authority swaps affair which has left many banks, including foreign ones, nursing large losses.

Bankers are particularly angry because the House of Lords judgment which decided the case implied that contracts entered into in good faith can be nullified in the courts, shaking confidence in the City's legal underpinnings.

"It's a financial scandal – a potential landmark" says one French banker who feels the banks have been badly treated.

A further drawback is the high cost of doing business in London. Recent studies suggest that rents are 50 per cent higher than Paris and nearly twice as high as Frankfurt and Madrid. Salaries show similar gaps.

However those costs may ease with the surplus of both office space and labour which now hang over the markets. Canary Wharf, the largest commercial development in Europe, opens next summer, aiming to become an extension of the City in the Docklands.

Another indirect cost of doing business in London is the appalling state of public transport and traffic, which takes its toll on people's nerves as much as their pockets.

London has never been very strong on infrastructure, particularly for trading systems. A belated but determined effort is being made to provide the markets with up-to-date computerised settlement.

After the City failed to come up with a clearing mechanism for the sterling markets, the Bank of England stepped in to create the Central Money markets Office (CMO) this year, finally bringing an end to the era of pouch-carrying, robbery-prone messengers.

Next year, the stock exchange will launch Taurus, its own electronic system, and paper will be eliminated from stock trading.

However, London is vulnerable to pressures beyond its control. One is the rising tide of problems besetting foreign banks in their home markets, particularly in the US and the Japanese.

Virtually all the leading US banks have cut back their London operations this year, and it is thought the Japanese will have to rein in their ambitions to meet their capital constraints.

If the 1990s turn out, as many people expect, to be a decade in which banks are forced to cut costs and concentrate on their home markets, London's foreign banking community could see many departures.

Another important trend is the deregulation of foreign markets and the elimination of capital controls, particularly in North America and in Europe, which previously encouraged business to take flight to London.

The City's special advantage as an offshore centre is slipping away, and the earlier truth that London thrived by being different no longer holds.

But while it is possible to dwell on the negative points about London, it should also be the case that the unification of the EC will provide the City with a big new opportunity, and this is what the authorities and many institutions are working to exploit.

Since all non-EC financial institutions will have to establish a subsidiary somewhere in the EC to gain access to the single market, officials are determined to make London the obvious and most attractive place for them to do it. Mr Robin Leigh-Pemberton, the Governor of the Bank of England, said in a recent speech: "I am absolutely determined the City should remain the pre-eminent – not just leading, I mean pre-eminent – financial centre in this time zone."

The large size of the banking community must make it the logical place for banks, while the presence of Lloyd's must act as a draw for the insurance world.

Meanwhile, the stock exchange is trying to promote the idea of a European Wholesale Market closely modelled on its SEAQ International trading system.

Although this would not necessarily put the EC equities market in London because modern-day electronic trading systems have no geographical home, it would speed the erosion of national stock markets, and would probably increase order flow through London where most of the EC's investment management expertise lies.

Two important recent developments demonstrated London's strong international appeal.

One was the decision of the Kuwaiti financial community to relocate itself in the City after the Iraqi invasion. The government-in-exile is managing that country's considerable wealth from London, and its largest bank, National Bank of Kuwait, is applying to become a UK bank.

The second was the decision by the leading powers to locate the European Bank for Reconstruction and Development in London.

This bank will become one of the world's main investment institutions, and its presence in London ensures that the City will be closely involved in the refinancing of eastern Europe.

The one prize that would remove once and for all the City's doubts about itself would be the location of a future European central bank in the Square Mile, or at least its operating arm even if the policy-making headquarters was placed on the Continent. This will doubtless loom high in the City's mind as the EC monetary debate evolves in the coming months.

The impact of the free movement of capital

Prospects look less certain

Sir David Scholey (left) describes Europe as the hub of S.G. Warburg's strategy while Hans Rieppel says many continental banks still prefer to locate in London

THE euphoric reaction of the City of London to Britain's entry into the exchange rate mechanism in October was a clear sign of the financial community's enthusiasm about Europe.

But that reaction was linked more to the City's immediate concerns about the health of the financial markets than to its long-term prospects. Although 1992 is not expected to trigger immediate or extensive changes in the London market, the prospect of completely free movement of capital and financial services within the European Community must have a profound bearing on the City's position. The question is, for good or bad?

Having started out on the road to 1992 in the confident belief that it was all to the good, London has recently looked less certain of itself, not least because of the turmoil created by the UK government's own deep divisions over Europe.

There are fears that in spite of Britain's membership of the ERM, business will drift to continental centres where there are better run and more stable markets, or that Germany will finally match its industrial might with similar strength in the financial field.

Much of the problem lies in the fact that London is such a clear leader that it can only yield some of that lead to others. Its strength has always been in the wholesale markets which operate without regard to borders.

Therefore the removal of barriers within the EC will not make much difference. Meanwhile, developments such as the creation of futures markets in Paris and Frankfurt, or the liberalisation of continental stock exchanges will chip away at London's lead.

The UK authorities, led by the Treasury, have tried to ensure that the various Brussels directives on financial services work to London's advantage by, for example, keeping regulation to the minimum. The Bank of England has also been pushing the City to modernise its markets, particularly by replacing paper-based trading with computers. But there are other, less discernible, respects in which 1992 is affecting the City.

The first is by making the City much more conscious of Europe. Traditionally its sights have been focused on Asia Pacific and North America. But increasingly the strategies of its banks, insurance companies and brokers are aimed across the Channel.

Sir David Scholey, chairman of S.G. Warburg, the investment banking group, describes Europe as "the hub" of his group's strategy after a decade in which New York and Tokyo were his main overseas targets. The large clearing banks, such as Barclays and NatWest, which pulled in their horns in

1992 THE EUROPEAN MARKET

North America, are seeking acquisitions in the EC. The International Stock Exchange is examining ways of expanding trading in European blue chip stocks.

The second respect is by forcing non-EC banking and broking institutions to decide where to establish their EC base in order to qualify for access to the single market. The first choice still seems to be London because bankers and brokers want to be part of the largest financial community – and London still has the reputation as the most open and flexibly regulated market.

Mr Hans Rieppel, managing director of Germany's DG Investment Bank in London says many continental banks prefer to locate in London because it gives them greater credibility when trying to do business outside the EC. "For banks above a certain size, it is expected of you to have a presence in London," he says.

The third is by encouraging continental financial institutions to buy into the London market to acquire its special skills.

This year's £1bn acquisition of Morgan Grenfell by Deutsche Bank was the clearest evidence of this. Morgan is helping Deutsche Bank introduce UK merchant banking methods into Germany. WestLB has teamed up with Standard Chartered Merchant Bank for similar reasons.

Investment management is another area where continental banks have tapped into London's talents. The acquisition of Thornton by Dresdner Bank, of Touche Remnant by Société Générale, and of a 50 per cent stake in Foreign & Colonial by Bayerische Hypobank are typical of the continental interest in London's international investment expertise.

In a recent report on the EC single market, Salomon Brothers analysts said: "Seeking permanent access to superior fund management skills, several European banks have scrambled to buy UK fund management companies."

Ironically, Britain's entry into the ERM could actually hurt the City by reducing the very volatility of the financial markets which creates demand for its skills.

However, others argue that that is the short-term view which ignores the potential long-term benefits.

In particular, London has its eye on possible monetary union, and the potential which that creates for new kinds of financial markets.

If a single currency is created, London would – in present conditions at any rate – be the logical central market where monetary operations were carried out. London has made a bid to be the centre of Ecu trading in the EC.

However, while the City prides itself on its international outlook, there have been tell-tale signs of underlying protectiveness.

One was the reaction to a recent initiative by continental banks in London to set up an EC Bankers Association.

They argued that the trade groupings of the British Bankers Association and the Foreign Bankers Association were out of date.

Since all EC banks would come under the same regime in 1992 it was logical to channel this common interest into a single organisation.

Although the Bank of England said bankers could organise themselves as they wished, the UK banking community resisted the idea because they feared it would undermine their existing lobbies, and isolate the Bank of England.

Thus, even though the City's visible structures are not being greatly altered by 1992, its attitudes and its prospects both are. But both should be positive because the City has traditionally been quick to exploit the opportunities created by change.

David Lascelles,
Banking Editor

Many of the world's banks in London are cutting back, writes **David Lascelles**

Fortunes vary as recession bites

LONDON prides itself on having the largest and most diverse banking community in the world. In November, there were 415 foreign banks there, according to the annual tally by The Banker magazine.

That makes it something of a proxy for the world banking market where the fortunes of different types of banks from various countries can be measured. And these are not easy times for the London banking market.

The British banks are suffering as the recession pushes up the volume of bad debts. Many foreign banks are also being forced to cut back, particularly the Americans and the Japanese who account for a good part of them. Only the Continental banks seem to be reasonably optimistic.

The UK clearing banks are having their worst year in nearly a decade because of the rising tide of company failures, of which Polly Peck was the most spectacular. Their profits will be sharply down this year, and most of them seem fairly gloomy about the prospects for next year.

The merchant banks are also having a tough time because of the slump in takeover activity and the weakness of the securities markets. S.G. Warburg has just reported a 35 per cent drop in interim profits.

Although everybody knew that high interest rates would eventually tip the economy into recession, it all happened far more steeply than most people expected.

Many foreign banks have suffered through their exposure to the UK economy, particularly the property sector where their participation was strong but difficulties have been greatest. The most recent casualty was the Bank of Ireland whose £12m loss in the UK contributed to the resignation of its chief executive. The fact that Polly Peck had nearly 50 foreign bank creditors underlines the problem.

FOREIGN BANKS IN LONDON

	US			Europe			Japan			Arab			Others			Summary		
	Total	Out	In	Total	Out	In	Total	Out	In	Total	Out	In	Total	Out	In	Total	Out	In
1980	71	2	1	141	3	21	24	0	0	19	0	1	128	3	12	383	8	35
1981	73	1	3	147	2	8	25	0	1	23	0	4	131	5	8	399	8	24
1982	77	0	4	153	0	6	29	0	4	26	0	3	144	1	14	429	1	31
1983	76	2	1	165	3	15	31	0	2	28	0	2	145	2	3	445	7	23
1984	75	1	0	168	6	9	35	0	4	35	0	7	146	2	3	459	9	23
1985	70	7	2	169	0	1	38	0	3	34	2	1	143	5	2	454	14	9
1986	68	3	1	184	3	18	40	0	2	34	2	2	136	8	1	462	16	24
1987	64	5	1	190	5	11	46	0	6	33	1	0	131	6	1	464	17	19
1988	59	8	3	201	5	16	50	0	4	36	1	4	132	3	4	478	17	31
1989	57	4	2	205	5	9	50	0	0	35	1	0	134	3	5	482	12	16
Total		33	18		32	114		0	26		7	24		38	53		109	235

Source: Noel Alexander Associates

Many foreign banks have been cutting back for domestic reasons. Chase Manhattan was forced to trim its London corporate banking and treasury operations as part of its overall recovery effort. Altogether, US banks in London shed more than 1,000 jobs this year, according to The Banker. The Australian banks have also been cutting back their City businesses.

The biggest question mark hangs over the Japanese banks which grew spectacularly fast during the 1980s and introduced fierce competitive pressure with the aggressive pricing.

The combination of the slump in the Tokyo stock market and balance sheet weakness has forced them to rein in growth in lending in London. So far this has not affected jobs. However, if a softer approach by the Japanese permits banking margins to widen, that would be welcomed in the City.

To some extent, the cutbacks by foreign banks are a reaction to over ambitious plans in the 1980s, a decade which saw banks grow and diversify rapidly as they took advantage of City deregulation. Many of the banks which entered the equities business at the time of Big Bang in 1986 have pulled out, including all the largest US commercial banks, because of heavy losses and management problems.

The UK clearing banks are having their worst year in nearly a decade

London has thus been an expensive testing ground for banks, at least for the more high profile of them.

But there is also a large body of foreign banks which stick to conventional banking and seldom make news. For them, trade finance, or servicing the UK and European operations of their domestic customers is the bulk of their business. Regional US banks such as National Bank of Detroit (NBD) and CoreStates of Philadelphia, or Rabobank of the Netherlands are more representative of the typical foreign bank in London than Citicorp or Deutsche Bank.

Although many of the smaller banks say they make a profit in London, the stringent banking climate is expected to force some of them into a retreat. Observers say they would not be surprised to see the foreign banking community shrink over the next year or so, as branches are closed to save costs.

But a fresh banking wave is appearing from the direction of the Continent. With 1992 on the horizon, several European banks have made substantial acquisitions in the London market, particularly in merchant banking and funds management, where they see useful expertise on offer. Conspicuous among them are the German banks such as Deutsche Bank and Dresdner Bank which stood aloof from the Big Bang. If 1992 reinforces London's position as the financial capital of Europe, this trend would continue.

The Bank of England has been keen to foster a big and diverse banking community. But this has also made the community much more difficult to manage, particularly now that times are hard and more banking clients are in difficulty.

In order to encourage a more systematic approach to problem companies, the Bank took an initiative earlier this year to introduce the so-called "London Rules".

These were intended to revive the spirit of older days when the City was smaller and bankers were more willing to co-operate to help out companies in difficulty.

The informal rules said it was in banks' interests to deal with problems in a calm and orderly way, since this increased the chances of companies being saved and loans being repaid.

The British banks welcomed the initiative, but a number of foreign banks saw it as an attempt by the Bank to tell them how to run their businesses, and reacted sharply. One French banker accused the Bank of "acting like the Pope". The Bank denied vigorously that the rules were aimed at the foreign banking community.

The episode was significant because it highlighted some of the more negative points behind London's large banking role, and also the Bank of England's own diminishing ability to influence the behaviour of the banking community by informal means.

David Blackwell looks at commodity trading centres; their history and their future

A ring of confidence in the market

THE ROOTS of London's commodity trade stretch back beyond the days when the British empire's trading was conducted through the City's coffee houses. Trading in soft commodities, grains, and both precious and base metals continues today, alongside brash newcomers such as oil and the unlikely freight futures.

The London Metal Exchange, which dominates the world terminal market trade in base metals, was founded in 1877 by merchants who used to meet in the City's coffee houses. The three-month period which is the basis of the LME's contracts was based on the length of time it took to ship copper from Chile, and tin from Malaysia via the Suez Canal.

The exchange, based in Plantation House in Fenchurch Street, has six core contracts – copper, aluminium, lead, zinc, nickel, and tin – with options related to each contract except tin. Copper and lead contracts are denominated in sterling, while the remainder are traded in dollars.

The market trades non-stop through inter-office dealings, but every day each contract has two "ring" sessions at Plantation House in the morning and two in the afternoon. These sessions last for five minutes, and on a busy day as the ring draws to a close the ring can approach the frenetic activity of the Chicago markets on a smaller scale.

The morning rings are known as "official" (as opposed to the "unofficial" afternoon rings) and the prices for each metal at the end of the second ring are used by the metals industry as the reference price for many contracts.

The LME sees itself as very much a trade market aimed at the physical delivery of metal – about 70 per cent of the copper mined in the world is traded through it – and it does not set out to bring in speculative money. Mr Martin Abbott, the marketing director, said in September that the exchange's main purpose was as a vehicle for price discovery and a forum for hedging, with investment trailing in third place. Last year it traded just over 10m lots worth £520bn, and it is expecting a 20 per cent increase in business this year.

Plans for next year include the introduction of cleared contracts denominated in D-Mark and yen, as well as the extension of trading in copper and aluminium – the two biggest contracts – to 39 months forward instead of 15 months.

When the LME dropped its silver contract last year London lost its only futures market in the precious metals sector. Precious metals trading continues in the City as it has done for several hundred years. It is under the watchful eye of the London Bullion Market Association, which was set up in 1988 at the prompting of the Bank of England to co-ordinate the market.

All bullion trading in the City is undertaken in accordance with the Bank of England's Code of Conduct, which covers the need for confidentiality, market ethics, and unacceptable inducements to conduct business, among other matters. The LBMA represents all the main participants in the market – dealers, refiners, or providers of vaulting and shipping facilities.

The International Petroleum Exchange is a youngster by London standards. It was not founded until 1980, and for eight years was effectively a one-contract exchange. But its dependence on its gas oil, or heating oil, contract ended in 1988 with the successful launch of a crude oil contract after earlier abortive attempts.

The LME is expecting a 20% increase in business this year

The crude contract, based on an index for Brent prices and cash settled, has established the credibility of the exchange on the world stage. Its introduction helped the IPE to lift turnover for 1989/90 financial year to over 4m lots.

As well as offering options on both the gas oil and brent contracts, the IPE has cash settled contracts in heavy fuel oil and Dubai sour crude.

The IPE shares premises with the London Futures and Options Exchange, known as Fox, which moved to its present building in fashionable St Katharine Docks in 1987. Before the move it was known as the London Commodities Exchange, trading futures in cocoa, robusta coffee and sugar.

After the move, the exchange introduced traded options on its three core contracts. A couple of months later Fox became the first and so far the only London commodity exchange to launch a contract traded on screens. The white sugar contract has been successful in attracting white sugar business back to London from the Paris market, and is trading a steady 2,000 to 3,000 lots a day. Two new contracts have been launched this year – rubber and a base metals index – and a contract in rice starts trading tomorrow.

Fox is convinced that automated trading will give it a route for expansion into the 1990s. In September, the exchange said that within three to six months it would launch a contract in European washed arabica coffee – a move aimed at tapping into the growing European consumer preference for arabica coffee over the robusta which has formed its main business so far.

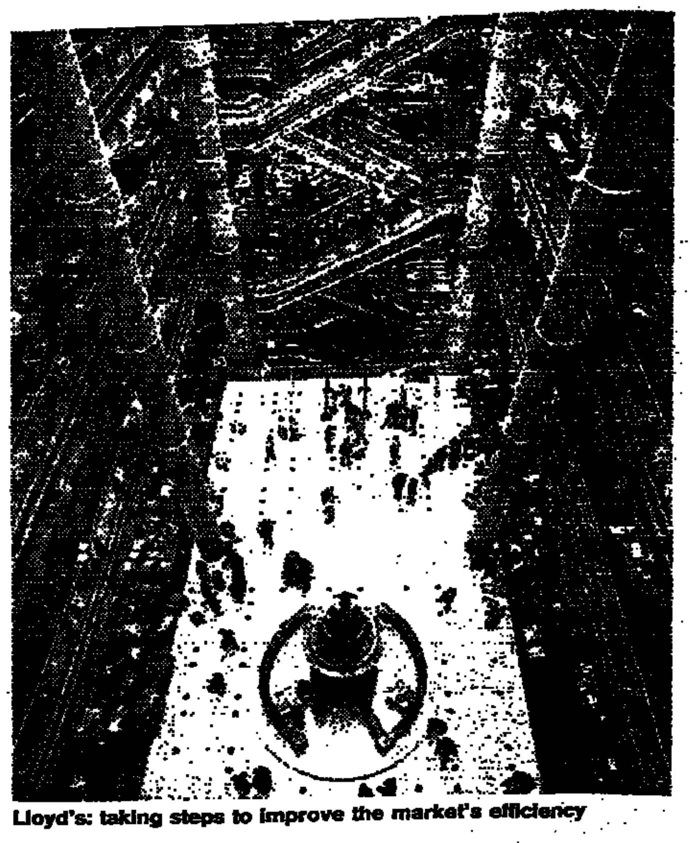
The Baltic Futures Exchange was formed in 1987 by the amalgamation of London's wheat, meat, potato, soyabean meal and freight futures market. The move was to cut down the cost of regulatory changes in London which would have severely dented such tiny markets.

However, the BFE remains the smallest of London's commodity exchanges (it traded just 313,500 lots last year) even though paradoxically it is housed in the vastness of the Baltic Exchange building in St Mary Axe. The BFE is negotiating with London Fox with a view to a merger of the two exchanges to form the biggest soft commodities exchange in Europe.

The BFE's dry freight futures contract is the only one to attract international attention – the other contracts cater principally for the UK market. One of the benefits of the potential merger will be the possible launch of contracts for grain and potatoes in the European market.

The freight futures contract, launched in 1985, has become the biggest of the BFE contracts, last year trading 91,112 lots worth $1.51bn. It is the only one of its kind in the world and the Baltic Freight Index on which it is based has become something of a benchmark for the freight industry. Contracts are based on $10 for each point of the index, which is determined each day by a panel of experts on the Baltic Exchange.

All the terminal market contracts, with the exception of the BFE's grain contracts, are cleared through the London Clearing House, a division of the International Commodities Clearing House, which is owned by the six main UK clearing banks. It provides users of the London markets with standard centralised procedures and also gives a contract guarantee provided by a totally independent body backed by guarantees and insurance totalling $150m.



Lloyd's: taking steps to improve the market's efficiency

INSURANCE

Capital's role is threatened

LONDON is still the centre of the international reinsurance and specialised insurance business, but its dominance is under threat. Over the past 20 years European and North American underwriters have won more of the reinsurance, marine and aviation insurance business. This is an area that London underwriters have traditionally regarded as theirs' by right. Now the London market is beginning to fight back.

Following a decade which has been dominated by scandals, the authorities at Lloyd's of London are taking steps to improve the market's efficiency, develop new products and improve marketing. At the same time, the London market companies – specialised reinsurers and the reinsurance subsidiaries of leading international companies – are combining forces to develop a new underwriting centre. From early 1992, 90 companies will base their London underwriting operations at Minster Court.

The development of the London Underwriting Centre, a seven floor office complex being nicknamed "Dracula's Castle" by underwriters, will be the most visible sign of London's desire to compete more fiercely.

According to the Mr Victor Blake, the chairman of CNA Reinsurance, who pioneered efforts to develop the centre, the LUC's recognition typifies a change in mentality among insurers in London. By allowing brokers to visit a number of underwriters in only one building, rather than a number of offices, the new development should help the London companies compete more effectively with Lloyd's.

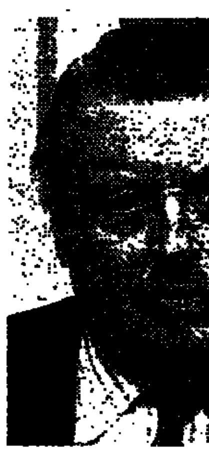
"It recognises that we are able to come to terms with the need for more efficient organisation," says Mr Blake. He believes that the evidence that London companies are prepared to co-operate has stimulated a response from Lloyd's. "Lloyd's has done things which they might not have done so were it not for us."

The Institute of London Underwriters, which unites 116 marine insurers under a single roof in Leadenhall Street, is also improving its global profile.

Most significantly, developments outside Lloyd's appear to helped stimulate a more outward-looking mentality within Lloyd's. Because of the subscription basis of business – in which a dozen Lloyd's syndicates will combine with an equivalent number of companies to write a small percentage of a particular risk or exposure – co-operation between the various markets has long been a feature of London market business.

There are signs that market leaders at Lloyd's are beginning to identify their own futures with that of the London market as a whole. Discussions with the companies over new technology is partially responsible. Having agreed to invite IBM to become the sole supplier of hardware, the market is co-operating over the development of claims systems and electronic trading networks. At Lloyd's, the administrative back-up system is being computerised, allowing for a gradual improvement in business efficiency, and by the mid-1990s Lloyd's should have a purpose-built electronic trading system in place allowing brokers to place business with underwriters electronically.

The introduction of new technology should allow Lloyd's syndicates to begin to reduce their expenses which have risen sharply in the last 10 years and led to the erosion of what has traditionally been an important competitive advantage. New marketing initiatives are being introduced. The expected election of Mr David Coleridge, head of the biggest Lloyd's agency business, Sturge Holdings, as the chairman of Lloyd's in December, is symptomatic of the change. It underlines the growing importance of the broker agencies such as Merrett Group and Sturge, who have been most active in pressing for change.



Coleridge: changes

Lloyd's has been losing out both in the amount of business it attracts and in the quality of business it has attracted. In the reinsurance field Lloyd's has been writing less proportional business (where insurers and reinsurers share premiums and claims in agreed proportion) and more non-proportional or specialised excess of loss catastrophe business.

European reinsurers, in particular, have been able to offer better terms on proportional business, leaving Lloyd's with the excess of loss covers, whose profitability has been dented by a large number of natural catastrophes and other losses.

The combined impact of a series of billion dollar losses at the end of 1989 seems certain to leave the market with a loss for the 1989 underwriting year, when results are reported in three years' time. According to one broker, Lloyd's has been running the danger of becoming a "dumping ground" for business other reinsurers were unprepared to write.

Recent marketing moves have therefore been designed to increase and diversify the base of Lloyd's business. Lloyd's has launched its first central marketing and advertising campaign. The authorities have removed the barriers which have traditionally existed between the four main markets at Lloyd's, marine, non-marine, aviation and motor. Increasingly, industry is keen to buy insurance to cover all the risks to which they are exposed on a so-called "all risks" basis. By allowing brokers to place risks which involve a cross-market participation more easily, the reform should improve Lloyd's position *vis-a-vis* its competitors who have not been subject to the same constraints.

The authorities have also viewed positively moves by Lloyd's underwriters to co-operate with insurance companies in order to win more business. In June, Sturge Holdings joined forces with Sun Alliance, the UK composite insurer, and four Lloyd's brokers, to form a joint marketing initiative to compete for European industrial risks business.

Sturge has established an operation in Paris. Earlier this year A. J. Archer, which manages a number of Lloyd's syndicates, set up a joint venture with Mr Jens Tarp, and the Lloyd's brokers Bell Nicholson Henderson in Copenhagen.

Last July, Lloyd's gave underwriting syndicates more freedom to write personal lines insurances (domestic house insurance for example). Lloyd's has enjoyed considerable success in writing motor insurances on the same basis. Since 1965 when they first wrote motor insurances, Lloyd's syndicates have steadily increased their share of that market to a point where they account for 20 per cent of the market.

Octavian Underwriting, a Lloyd's managing agency, has set up an office in Leeds to write insurance business ranging from professional indemnity, product liability and directors and officers covers.

Mr Reg Brown, who underwrites one of the syndicates managed by Octavian, says the establishment of the new office is important evidence of a change in mentality among insurers at Lloyd's who are now much more prepared to go out and look for business.

"Its dawning at Lloyd's that you've got to get closer to the client," he says. "In the old days underwriters used to sit in their ivory tower at Lloyd's and expect brokers to bring in the business."

Richard Lapper

Peter Martin assesses how the City is adjusting to the changes in the way it is regulated

Debate centres on powers of supervision

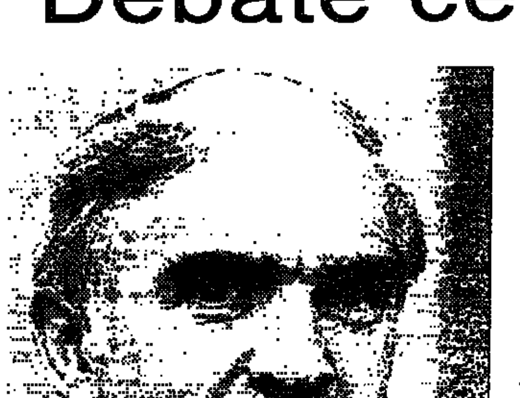
FOUR years after the Big Bang that changed the way the London financial markets work, the City has largely adjusted to the changed regulatory structure that accompanied it.

Further changes are on the way, however, with two interlinked trends at work. First is the growing integration of western Europe's economies, reflected in the increasing importance of legislation drawn up in Brussels by the European Community.

The effect of the new European directives is to force the national authorities to share responsibility for financial regulation with other countries. Typically, prudential regulation of a financial institution (asking the question "is this entity adequately capitalised") will remain with its home country within the EC. Conduct of business regulation (which asks the question: "is this entity dealing properly with its customers") will be the task of the "host" authority.

In the case of the City this approach will mean that a bank based, for example, in Germany which opens a branch in London will have the capital adequacy of that branch assessed by the German banking authorities. The branch's behaviour will be regulated by London authorities.

The move towards economic and monetary union (Emu) will supply another impetus to this process – depending on how far Britain chooses to be involved. The draft statutes of the proposed European system of central banks include a provision that gives the new European institution banking supervision responsibilities.



A question of regulation: Brian Quinn (left) is looking at the possible supervisory powers of a European central bank while David Walker (right) forsees a decentralised system for SROs

It is not clear just how wide the supervision powers of the new European central bank will prove – a central bankers' committee headed by the Bank of England's Mr Brian Quinn is still working on that question.

And it is not clear whether Britain will join the new system if it comes into being in 1994. In spite of these two uncertainties, there is at least a possibility that over the next few years, some banking supervision responsibility will shift to a supranational level.

The second trend at work affects the relationship between regulators and regulated. One example of this trend is the increasing tendency towards spelling out procedures that have in the past not needed to be written down. This is not new. The Financial Services Act of 1985 was the first of such moves. But the trend continues, illustrated most clearly by a controversy this year about the guidelines that govern how banks should respond to companies in financial difficulties.

The guidance the Bank of England is giving to banks in this period of economic slowdown is no different from the approach it took in the recession of the early 1980s, say people involved in both episodes. This time, however, it wrote down a set of desirable policies and circulated them to banks based in the UK, via various trade associations. A fuss ensued, since some foreign banks resented the tone of the Bank's phrasing.

To one senior UK banker, the Bank's "London rules" were quintessential examples of the sort of thing that should not need to be written down, but should be communicated informally. Doubtless the Bank would have preferred to deal on that basis, as it has traditionally done in the past. But it is increasingly clear that an increasingly varied and competitive banking community cannot be kept in line in quite the same way as before.

Another example of a changing relationship between regulator and regulated is the increasing willingness of the authorities to let the markets make the final decision on the survival of unsuccessful financial services businesses.

The Bank of England would not let a large bank fail; nor would it allow the failure of a smaller operation that might have "systemic" consequences. It is clearly taking a robust line on the survival of other, less significant enterprises – even where they may be of considerable size. British & Commonwealth, once the UK's second-biggest non-banking financial institution, was allowed to fail earlier this year by its combined "college" of regulators, even though it had a licensed deposit-taking institution among its subsidiaries.

Changes in the Bank of England's legal powers allow it to move in on a bank about which it is concerned far earlier than before. In a number of cases, the Bank has been able to identify institutions which do not have a viable future. In the past few years, some 30 institutions have surrendered banking licenses – quietly given up the struggle.

The Financial Services Act has transformed unregulated or informally regulated businesses into ones with a clear legal and regulatory framework. The act set up a "practitioner-driven" regulatory structure, with self-regulating organisations (SROs) in each discipline run by practising experts. Initial rulebooks of the various SROs were more detailed and legalistic than many practitioners had hoped.

Over the past two years, these rulebooks have been redrafted, to make them simpler and more consistent. One element of the "new settlement", as the redrafting process is called, has been the decision by the Securities and Investments Board (Sib), the industry's overseer, to promulgate 10 principles and 40 "core" rules centrally.

To some, that has seemed like a shift of power to the centre, away from practitioner-driven SROs. But Mr David Walker, Sib's chairman, argued in a recent speech that the new settlement, and the new self-confidence it was engendering among SROs, would lead to an effective, decentralised system. "The greater the extent that we can rely on professional competence in the industry," he said, "the less will be the burden to be shouldered by detailed regulation at the centre."

London's supervisory authorities are conscious of the dilemma between under- and over-regulating. Under-regulating a business can lead to abuses, and harm the UK's long-term health as a financial services centre.

Over-regulating, should it happen, would also gradually weaken London's competitive position. Though accusations of over-regulation are often heard, the critics have not produced evidence of specific business lost to London because of the burden of the new rules. For the moment, then, the initiative remains with the authorities, as they seek to adjust the new structure to the changing pressures of the 1990s.

Institutions are reviewing their presence. **Tracy Corrigan** reports

Home is where the market is

THE Eurobond market, technically an offshore market, has always made London its home in practice. Nearly all the international banks active in the market have chosen London as the centre of their Eurobond business.

The Eurobond market is an international market of publicly traded debt, issued by banks, companies, and states. It flourished in the early 1980s but has now entered a period of decline, exacerbated by excessive competition.

Overheads remain high, forcing banks to question their presence in London and in the Eurobond business. The last few years have been marked by a series of retrenchments, and more are expected.

There are fears that London will have to cede market sectors for which there is a more natural home base, as other financial centres try to reclaim such ground. Most feared is the shift of the large, and usually lucrative, Japanese equity warrants business back to Tokyo, as Japan's financial markets are liberalised. Those with a vested interest in the market staying put cite the superior infrastructure of the London market. This facilitates the churning out of a large volume of equity warrants. In addition, most secondary market warrant trading is in London. However, the issuers and the bulk of the investors in these instruments are Japanese.

Among the powers lobbying for the equity warrants business to stay where it is are the London arms of the Japanese securities firms, which have thrived on profits generated by the equity warrants business. Those profits dwindled this year, along with investor confidence in the market as the Gulf crisis depressed Japanese stock prices, pushing premiums up to such high levels that many warrants are unlikely ever to be exercised. The future of the market is uncertain.

London's dominance may also come under threat as banks re-examine their strategic goals for the 1990's. While "globalisation" was the catchword of the 1980s, many bankers suggest that the trend for this decade could be a retreat to domestic markets. As many governments liberalise their domestic markets, it is increasingly attractive for banks which have always been strongest in the domestic arena to retreat to that domain. Banks such as Holland's Amro Bank relocated their capital markets business in their home cities.

For those players which cannot be in the "bulge bracket" of top players, specialisation is a growing trend. Banks have cut the number of sectors in which they maintain a presence. Banks such as S.G. Warburg chose to concentrate on its strength in the sterling market, abandoning its position in the dollar and Australian dollar markets. For a bank with a large presence in one European market, the shift of resources to the home base may be a tempting prospect.

There are good reasons to stay in London. Few players which do not have large operations in London can hope to be global players. The large Japanese and US banks in the European time zone have centred activities in London.

Many European banks have established their international capital markets operations in London. The largest German bank, Deutsche Bank, for example, runs all its non-D-Mark Eurobond business from the London-based Deutsche Bank Capital Markets, and is the only German bank to rank alongside the key US players in London. The credibility gap established between Deutsche and its two home-based rivals Dresdner Bank and Commerz Bank has never been narrowed, and neither Dresdner nor Commerz has established a significant presence outside the D-Mark sector.

Of the four French banks with a large presence in the Eurobond market, two (Paribas and Banque Nationale de Paris) have shifted the bulk of their international bond operations to London while two (Credit Lyonnais and Credit Commercial de France) have dug in their heels in Paris. Credit Lyonnais and CCF have tended to concentrate on retail currencies like Canadian dollars and on domestic market activities.

Some of the most profitable banks in the Eurobond market are not London-based. Banks such as Banque Bruxelles Lambert and Kredietbank, based in Brussels, have gained a strong foothold, by focusing on their retail distribution networks.

There have been few big moves to London in recent years, although the Japanese continue to build their presence here. For others, the decline of the Eurobond business has acted as a deterrent.

High overheads have been further increased by the need to comply with the stiff regulatory environment of the Financial Services Act. Bankers say this is a further disincentive to new businesses, and complain that the European Community ideal of an even playing field is still in need of some levelling.

London's dominance of financial markets outside the Eurobond market, such as futures and options, has increased the capital's status. Another magnet for banks is London's position as the European centre of international fund management. Increased competition from other markets and perhaps some repatriation of investment funds, particularly to Japan, could threaten this infrastructure.

Now that the mainstream Eurobond market has evolved into a commodity business, it is no longer the focus of the capital markets thrust of many banks. These days, wider profit margins are to be found by focusing on innovative financing techniques, often involving derivative products. For such business, now the strongest growth area in the market, it is in London that the talent and the expertise are to be found.

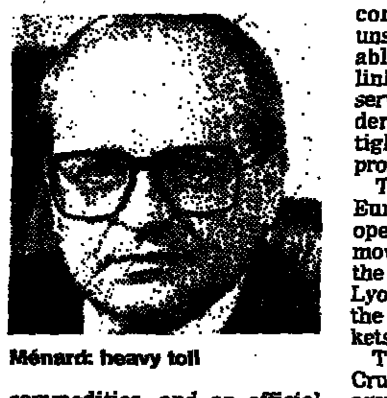
■ PROFILE: Crédit Lyonnais

The case for a firm foothold

FOUR years after the Big Bang, many of the banks which participated in that revolutionary event have beaten a bloody retreat, overwhelmed by losses and the sheer problems of managing the complexity of the London markets.

One bank which has slogged on is Crédit Lyonnais, the French bank which has one of the most diverse foreign-owned financial conglomerates in the City. On the one side this comprises a large and successful commercial bank branch with £6.5bn in assets and a programme of steady expansion. On the other, is Crédit Lyonnais Capital Markets, its investment banking arm.

The latter has been a far from pleasant experience, as Mr Christian Ménard, the managing director, is the first to admit. Financial losses, management turmoil and damaged credibility have all taken their toll. But Crédit Lyonnais stuck to its belief that a well-developed London presence was the key to its international expansion in investment banking, and it thinks that that goal is now in sight.



Ménard: heavy toll

The saga began in 1987 when Crédit Lyonnais bought Alexanders Laing & Cruickshank Holdings (ALCH). ALCH was a hybrid consisting of Alexanders, a discount house (dealer in the bill market); Laing & Cruickshank, a City stockbroking firm specialising in medium-sized companies and private clients; Rouse, a broker dealer in financial futures and commodities, and an official gilt-edged dealership.

It was not the ideal purchase in the light of hindsight because ALCH was too diverse and not top-of-the-range. But the bank had left its Big Bang move rather late, and all the best firms had been snapped up. And it paid the price. In the following three years ALCH lost enormous sums of money, and Crédit Lyonnais was forced to take measures to bring it under control.

There was a management clean-out. The equities market-making side was shut down, and so was the gilts business. Other parts of the group were cut back to contain costs, and branches were closed. But out of the trauma, Crédit Lyonnais managed to identify a cluster of businesses on which it believed it could build a viable investment banking operation. This will have six elements.

One is Rouse, which has come through relatively unscathed. It is highly profitable and now has a global link-up to provide a 24-hour service. The second is Alexanders which has been given tighter controls and is now profitable again.

The third is Crédit Lyonnais Eurosecurities, the Eurobond operation which has yet to move into profit and is weak in the dollar markets. But Crédit Lyonnais is building it up in the French franc and Ecu markets where it is strong.

The fourth is Laing & Cruickshank Investment Management, where the emphasis is steadily being shifted from the private client stockbroking business to portfolio and asset management. This division recently began to make a profit again.

The main part of the business is Crédit Lyonnais Securities, which has two parts to it. Having dropped its UK equities market making, the institutional broking side will concentrate on selling European equities to investors through London. This will be supported by specialised sectoral research prepared in conjunction with Crédit Lyonnais' other securities operations on the Continent. Mr Ménard says the aim is to become the leading London house in Continental shares, particularly French and German.

The other part is corporate finance which consists of Laing & Cruickshank's domestic advisory service, alongside which a new international business is being developed. Mr Ménard sees this becoming active in cross-border mergers and acquisitions and equity issues, with a team specialising in structured finance.

To help pull this diverse group together, Crédit Lyonnais has moved it into new quarters in the Broadgate development. It has also retitled parts of the group to emphasise the Crédit Lyonnais name for international activities while preserving the better known Laing & Cruickshank name for the UK market.

Mr Ménard estimates that buying and getting Crédit Lyonnais Securities right has cost about £160m, vastly more than it bargained for. He has set the goal of earning a 15 per cent return on capital which he believes is achievable.

Did Crédit Lyonnais really need to take on all this expense and effort for the sake of a foothold in the highly competitive London market?

The answer is yes. The group needed access to a distribution network. "The dominant equity culture in London is one of the most important aspects of a strong presence in London. This is not the case in Continental Europe where the culture is bond-driven," says Mr Ménard. "We are convinced that Europe is the domestic market of tomorrow, and we have to be a major player in all domestic markets."

David Lascelles

Deborah Hargreaves looks at the future of the derivative markets

In pole position for Europe

MR PEN KENT, associate director at the Bank of England, forecasts a "blaze of glory" for derivatives in the 1990s. The UK's markets must be well-placed to lead Europe in attracting the "atomic cloud of footloose funds" that will be searching for investment opportunities across the globe, he believes.

Mr Kent has been very active behind the scenes in encouraging London's two leading markets to join in a combination that will create the largest futures and options market in Europe. He chaired the committee that was set up to pave the way for a merger of the two markets.

The merger of the London International Financial Futures Exchange (Liffe) and the London Traded Options Market (LTOM) grew out of the success of the former and slow development of the latter. The Bank of England is understood to have been concerned that the UK was losing out in the creation of an active options market to more pioneering exchanges overseas.

The Bank's concern mirrored that of a group of users of both markets who were looking for a more efficient options market-place and a chance to cut costs. It was with a very sympathetic ear that the Bank heard the users' ideas early this year. Shortly afterwards came the announcement of the much-heralded merger which had been broached three years ago, but had never got off the ground.

Many market users are hoping for a widescale rapprochement between London's six derivatives exchanges. Indeed, the name for the Liffe-LTOM combination which has been fixed temporarily at the London Derivatives Exchange, is intended to provide as much room as possible for any of London's other markets to join in.

The International Petroleum Exchange has asked about joining the joint market. London's soft commodities market, the Fox, plans to combine with the Baltic International Freight Futures Exchange before a possible approach to Liffe-LTOM. This leaves the London Metal Exchange which is likely to resist any attempt at merger in its own eccentric way.

If these exchanges unite, the resulting market will be a broadly-based derivatives shop window which would trade a range of futures and options products from German bonds to coffee. The combination would create the most diversified exchange in Europe with an ability to compete with Chicago's leading markets.

The financial derivatives sector is new to London and should provide a large area for growth in coming years. When Liffe and LTOM merge early next year, the joint exchange will mark the first time that financial futures and equity options have traded side by side and should provide the opportunity for a range of strategies on the part of traders.

The two markets are embroiled in the nuts and bolts of merging two fundamentally different trading cultures, but Liffe is likely to dominate any combination.

Since its inception in 1982, Liffe has seen its trading volume grow rapidly each year as derivatives have found more acceptance among the City's innately cautious fund managers. Last year, its volume leapt by over 50 per cent to 24m lots, although its main European rival, France's Matif, edged ahead with a volume of 26m contracts. This year, however, Liffe's volume is running well ahead of the Matif's and, by the end of October, the market had traded close to 29m lots.

Liffe's marketing and information campaigns have been extremely successful and the exchange has proved innovative in its development of new products. Members of the options market are hoping that this experience will carve out a more liquid market for options and help to extend their use to individual investors. Private individuals are large buyers of options in continental Europe and in the US, but not in the UK.

London's joint derivatives market will be helped in its bid to lead Europe by the introduction of a more simplified tax regime on futures and options in this year's budget. It removes a penalty on pension funds and unit trusts' use of derivatives for trading purposes.

Under the new regime, institutions will be able to avoid paying tax on any of their transactions without having to prove that they were not "trading" in the market. This change has removed a big psychological barrier for fund managers' use of the markets and has provoked a great deal of interest among UK pension funds.

Another development this year that will increase the use of futures, is the publication by the Department of Trade and Industry of draft regulations for futures and options funds. Once these rules become law, they will enable the creation of specific unit trusts for investing in derivative instruments. This is a market that has grown to reach $8bn in the US.

These developments leave London's derivative's markets poised for large growth in the next decade and should enhance London's position as a leading centre. Liffe is recognised as a leading port of call for US fund managers which divide their money between the US, Europe and Japan.

Derivatives traders say they see far more activity now from the UK's own institutions than they did a year ago. In fact, some dealers reckon that only two of the UK's large pension funds were active in derivatives at the beginning of the year and that figure has risen to 15.

Growing interest from the UK and overseas should help get the Liffe-LTOM merger off to a good start. After that there will be wide opportunities for creating new combined financial-equity products.

The foreign exchange market

Anxious to become the Ecu centre

THE London foreign exchange market, coping with decreased volumes of business with corporate customers and increased volatility in the interbank market, faces the challenge of how to maintain its pre-eminent position in a single-currency Europe.

European monetary union may be some way off, but foreign exchange managers in both UK and non-UK banks in London are estimating the effects on their business of a single currency.

If there is to be a single physical Ecu centre in the European time zone, the consensus is that London can, and must, be that centre. There is also some hope that the loss of intra-EC trading can be made up for by new business in non-EC currencies (including the newly convertible east European ones) and the development of ever more sophisticated risk management products.

With average daily turnover equivalent to about $187bn, London probably does three times the business Frankfurt does and six times as much as Paris.

Its main advantage over its continental rivals is its regulatory environment, which favours innovation and which, according to Mr Dave Adamson, Chase Manhattan's European forex risk manager, offers non-European institutions "a pretty level playing field."

The sheer volume of business done in London and the broad range of currencies dealt in should also help it to win through. The main effect of a single currency will be to wipe out niche business.

"Some of the reasons for Paris and Frankfurt doing so well would cease to exist," Mr Trevor Cass, who heads Barclays' global treasury, points out.

London's strength as a generalist centre should stand it in good stead. "Frankfurt won't take over from London in the next decade or two," says Mr David Clark, Midland's Group treasurer. He believes that the German authorities will not permit sufficient competition in Frankfurt to allow the range of products needed to develop a world-class foreign exchange market.

This year has seen a falling-off of volumes in the market with corporate customers, largely as a result of general economic conditions. The problem has been compounded by increased volatility in the interbank market, particularly the dollar/sterling market, which has led to the controversial scaling down of the amounts some market makers are prepared to deal in.

"A lot of banks are examining their volume, both in number of tickets and amounts of currency," said one UK forex manager. There are only a handful of market makers in the interbank market: the four big UK clearers, plus Citibank, Chemical and Chase and a small number of European banks.

Volatility has been increased over recent years by a fundamental shift in the nature of the underlying flows driving the market and aggravated by increased speculative activity.

Sterling remains an important investment currency, although it ranks fourth in terms of volume traded, and capital flows from institutional investors worldwide are increasingly replacing trade flows as the motor of the interbank markets, including the sterling/dollar interbank market.

This has caused an increase in volatility only partly controlled by sterling's entry into the exchange rate mechanism. The other factor in recent years has been aggressive speculation, usually by Asian and Middle Eastern monetary and investment authorities playing the market with their reserves.

Some market makers regard these "turnover merchants" as near-criminal in their effect on the market. Others are more relaxed.

"It only hurts the market maker who quotes in excessive amounts and too narrow a spread," said one non-UK market maker. In fact, according to one US bank, rather than being an irritant, such players can act as a stimulant. "It moves the market, and that can be profitable for the market maker too."

The now infamous September 24 lunch at which some London market makers came to a "gentlemen's agreement" on a 10 basis-point minimum spread in the sterling/dollar market had as its immediate cause a bear raid on sterling by Bank Negara Malaysia. But other market movers have also been active, and the root causes of volatility and poor liquidity are broad and various, including the deteriorating credit worthiness of a number of counterparty banks.

Whether or not it formally constitutes a cartel (the banks say it does not and insist it will not affect their corporate customers) the September 24 agreement looks like falling apart even before an Office of Fair Trading investigation is completed.

Lloyds Bank, in whose offices the lunch took place, has since distanced itself from the pact, and other participants say they have dealt in amounts and at spreads different from those agreed.

The Bank of England has pointed out that any attempt to widen spreads unduly could lose business to other centres. London's bid to become the Ecu centre would certainly not be helped if some of the shine on its reputation as the least protectionist centre in Europe was knocked off by incidents such as this.

Apart from its "regulatory edge", London is seen as the product capital of Europe, if not the world. "London's imaginative and innovative use of technology, not just in the back office but front-end technology, has been a key factor in keeping London ahead," says Mr Tom Lockett, Midland's foreign exchange director.

His colleague Mr David Clark agrees. Although the technologies might originate elsewhere, Mr Clark says, "London is the great test tube. This is where the explosions and implosions actually happen."

The relationship between technology and competitiveness is two-edged, however. "You have to take time out on technological developments, sometimes," says one manager, "because you're not necessarily generating enough income to pay for it. I think London is very close to such a breathing space now."

In the last analysis it is the application of technology which matters. A whole family of hedging products has sprung up over recent years, with London very much in the forefront.

"We are nowhere near the end of this development," says Mr Lockett. "The next generation of hedging instruments will take in whole portfolios of risk, both of customers and on banks' own books."

Peter Elstob

Barry Riley examines the centre's specialisation in managing global institutional funds

A bridge between New York and Tokyo

LONDON IS one of the world's top centres for portfolio management. Indeed, it stands out for its specialisation as a centre for expertise in managing global institutional funds, especially equities.

Upwards of £500bn is managed in the UK, and probably 90 per cent of that in London. Most of the money belongs to domestic institutions, but there is an important element of global funds sent over from abroad. For example, J. P. Morgan runs its global portfolios out of London.

Even the domestic institutions have a substantial overseas element to their portfolios. British company pension funds, for example, have about 20 per cent of their assets in foreign equities, and another few per cent in overseas bonds.

More money is managed in the US and Japan, but these are domestically oriented countries, where interest in international investment has been modest until recently. Switzerland is of some importance as a centre for private client funds, but scarcely attempts to compete with London for institutional business.

Geographical location ought to be becoming less important as a factor in the success of financial businesses, because technology is destroying the significance of distance. Investors can hook up to market price services and research databases without much regard to physical positioning. Indeed, successful international investors are dotted around the US, and can be found in other parts of the UK than London. The survival and the renewed expansion of Edinburgh and Glasgow as fund management centres must owe much to improved travel and communication.

The high cost of London, especially in its office rental levels and its congestion, has posed a threat – although rents are now tending to fall. Overall, however, London retains some important advantages which have long been perceived by American and Japanese firms and in the past year have led to a wave of buying of British fund management companies by continental financial institutions.

As a global centre London's time zone position is significant. Straddling the gap between Japan and the US, London has a location which enables members of the financial community to talk to Tokyo in the morning and to New York in the afternoon. In contrast, it is impossible for Americans and Japanese to communicate during normal office hours.

But anywhere in Europe can claim the same advantage, so the key to London's competitiveness lies elsewhere. Essentially it has the right infrastructure: a highly developed international stockbroking industry, and it has large numbers, far more than any mere "critical mass", of skilled and experienced fund managers.

The stockbroking side is important because historically it has provided most of the research and other services which enable global fund managers to function efficiently and economically. In the past few years the International Stock Exchange has also developed its SEAQ International market in the leading global equities. As for bonds, there is a big Eurobond market in London, and active local time zone markets are made in US Treasury securities.

These local markets are perhaps not of critical importance, because many London fund managers prefer to trade in national stock markets around the world, but the London trading contributes to the depth of resources available in the UK.

London is a regular destination for leading listed companies around the world which seek to market their stocks to institutional investors. So there is a steady stream of presentations and road shows, making it easy for London-based investment managers to meet the executives of international companies.

The presence of portfolio management skills in abundance is also highly important. Any financial services group wishing to set up a fund management operation in Europe really has very little choice than to come to London. There are possibly more attractive and cheaper places to go, but it is impossible to recruit skilled global fund managers in any quantity in other places.

In some respects Luxembourg is a rival, and it has certainly attracted a large number of international mutual funds. But it has specialised as a legal and administrative centre rather than as a place where investment decisions are taken.

Other European financial capitals have either been limited until quite recently by foreign exchange controls, so that expertise has been focused only on domestic markets, something which applies to Paris, or they have specialised in bonds, such as Frankfurt. With the growth of interest in equity investment the German banks such as Deutsche or Dresdner have come to the UK in order to buy the skills they need.

The Netherlands has shown some potential, and indeed the Robeco group has become probably the world's second biggest independent manager of mutual funds after Fidelity of Boston in the US. But the Dutch market is too small to allow Amsterdam or Rotterdam to develop the strength in depth offered by London.

But London is not unchallengeable. Fund managers in the US and Japan are developing global management skills, and they will become unwilling to subcontract international business to the UK.

Some portfolio managers in London are becoming anxious about the damage being done to the stockbroking infrastructure. High quality research can only be provided on the basis of relatively generous commissions, but the much greater degree of competition in the past few years has pushed many brokers into the red. The quality of research has declined, and the actual quantity may soon contract unless profitability recovers.

Fund managers would then be faced with the need to take on much more of the research functions, greatly adding to their cost burdens. This would hit small firms of fund managers especially hard, since it would not be economic for them to provide a broad research back-up for their own decisions.

In difficult stock market conditions, such as have been seen recently, these risks tend to weigh heavily on the minds of fund managers. But London hopes that many of its troubles will roll away with the next stock market upturn.


Lydia van der Meer

The BZW dealing room

Richard Waters looks at the consequences of deregulation

In the shadow of Big Bang

BIG BANG has cast a long shadow. It is four years since the deregulation of London's stock market – when fixed commissions were scrapped, institutional barriers between brokers and jobbers (now called market makers) were taken down and outsiders were allowed to buy into or apply to join the Stock Exchange.

However, three consequences of this seminal date in the City's history have yet to be resolved.

The first is the substantial overcapacity in the securities industry. The rush to join the market which followed the 1986 reforms, combined with a sharp cyclical downturn since, have left many broker-dealers floundering.

The excess capacity, both of people and capital, is illustrated by the poor results of securities businesses that belong to London's International Stock Exchange.

They lost £27m between them in 1977 and £265m in 1988, before struggling back to profit in the relatively buoyant 1989.

The most obvious barometer of the health of broker-dealers is the volume of trading on the ISE (which comprises UK and foreign equities, government securities and other fixed income stocks).

This is still running at a level far above its pre-Big Bang days, but has not recovered its peak of before the 1987 October crash.

In spite of this, there are remarkably few signs of shrinkage in the industry. Well-publicised casualties – Morgan Grenfell at the end of 1988, Citicorp Scrimgeour Vickers early this year – have made little dent in the excess capacity in the London market.

This is borne out by two surprising facts. First, the amount of capital behind ISE member firms rose by a quarter to £4bn between the summer of 1988 and the end of 1989 (figures for earlier periods are not available).

Second, in spite of the 1987 stock market crash, the number of people employed by ISE member firms rose by one-fifth to 24,400 in the three years to the end of 1989.

Part of the reason is that, while the domestic securities industry has sagged, the international business handled through London has remained strong.

Hence the importance to London of the current debate over the creation of a pan-European equity trading system. Since starting its own international market place five years ago, the commission income from trading foreign shares in London has grown to an annual £168m (around a third of all commissions earned on UK shares).

FOREIGN SECURITIES HOUSES IN LONDON	US			Japan			Europe			Other			Summary		
	Total	In	Out	Total	In	Out	Total	In	Out	Total	In	Out	Total	In	Out
1980	43	4	1	21	1	0	13	3	0	27	1	0	104	9	1
1981	45	2	0	23	2	0	13	0	0	30	3	0	111	7	0
1982	47	2	0	25	2	0	15	2	0	31	1	0	118	7	0
1983	52	5	0	25	0	0	17	2	0	33	2	0	127	9	0
1984	51	0	1	27	2	0	17	1	1	35	3	1	130	6	3
1985	51	0	0	29	2	0	17	1	1	37	3	1	134	6	2
1986	52	1	0	34	5	0	18	1	0	39	5	3	143	12	3
1987	54	2	0	41	7	0	21	3	0	39	1	1	155	13	1
1988	54	0	0	41	0	0	24	3	0	37	2	4	156	5	4
1989	55	1	0	42	1	0	24	1	2	38	1	0	158	4	2
Total		17	2		22	0		17	4		22	10		78	16

Source: Noel Alexander Associates

The second unresolved question left by Big Bang is how equities should be traded in London.

The quote-driven market making system introduced at the time has not held up well under the flagging trading volumes of recent months.

Market makers claim London's trading rules, which require immediate publication of most trades and (from early next year) a delay of only 90 minutes in the publication of the very biggest, leave them no scope to make a profit. There are dark warnings that distortions will appear in the market as market makers seek to dodge the worst effects of these rules.

Retail investors have also been questioning whether the stock market works in their interests.

Many argue that, welcome though a quote-driven system is for anyone trading large blocks of shares, small investors would be better served by a market where buy and sell orders are matched automatically, without the intervention of a middle man.

Two other factors have antagonised small investors who use the UK stock market.

First, commissions have risen since Big Bang, largely due to the removal of cross-subsidisation that existed before. And second, London's new dematerialised settlement system, due to be introduced from next October, looks likely to bring no reduction in costs for small investors, whatever it does for other users of the market.

The third unresolved question posed by Big Bang is whether London will come to be dominated by a handful of integrated securities houses, conglomerates which combine market making and broking with corporate finance and fund management.

Experience so far suggests that this is happening. The withdrawal of marginal players has led to a concentration of market share among three big market makers – Warburg Securities, Barclays de Zoete Wedd and Smith New Court. The first two of these are among the leaders in researching and distributing equities, as well as fund management.

Would-be contenders such as Kleinwort Benson have made a strong push to be included in the top league, but have failed yet to make the breakthrough. (Kleinwort itself is nursing the damage to its finances and morale caused by a disastrous £34m loss on a single large transaction this summer).

The question of who will dominate the securities business in London will be answered in the boardrooms of some of the world's biggest banks.

Only those that are prepared – and can afford – to commit capital to building or sustaining a position in the market stand a chance.

In the face of the capital crunch that has hit the banking industry, it is certain that not all will want to pay the price.

David Lascelles interviews Sir Martin Jacomb

'People trust our markets'

SIR Martin Jacomb commands a fine view of the City from the offices of Barclays de Zoete Wedd, where he is chairman. But he gains an extra perspective in his other role as chairman of the British Merchant Bank and Securities Houses Association, and it is one which causes him some unease.

While he is convinced that London holds the lead as a financial centre in Europe, he sees strong competitors on the Continent. He is even reluctant to proclaim London's lead too loudly "because you only excite the ambitions of others to challenge that".

"The result is that there is a more coherent and deliberate challenge to London's position than would have occurred from market forces alone. If you observe Paris and Frankfurt – governments are assisting changes there. There is a clear message: there is absolutely no room for complacency."

The features Sir Martin believes London needs to work on to maintain its position are:

- markets which are well-run and well-disciplined
- a multi-currency approach with "payment versus delivery" of securities a top priority
- an international pool of talent
- a central bank which keeps a parental eye on the markets but continues to be responsive to the needs of their users.

It must also guard against over-regulation. Sir Martin thinks London made a mistake at the time of the Big Bang in failing to distinguish between professional investors who can look after themselves and private investors who need protection.

Although the regulatory excesses which this created are being rolled back, the impression has been left that London is a heavily regulated market.

"Impressions are very important because that's what controls decisions whether or not to bring business to London."

The recent local authorities swaps fiasco was a further example of London doing itself unnecessary harm. "The way the authorities have handled this has been uniquely damaging. Our competitors are saying that by standing aside, the government is ensuring that in London 'dictum meum pactum' no longer applies," said Sir Martin whose own bank stands to lose heavily after the recent Lords judgment.

London must also guard against over-regulation

London must particularly guard against competitors who chip away small pieces. Although these may be insignificant in the overall context they could be highly relevant to international investors. For example, the opening of the DTB, Frankfurt's financial futures market.

"We must guard against London losing fragments of the whole because it's the whole from which London derives its strengths."

Sir Martin notes that New York's role was diminished by the growth of Chicago's financial futures market.

The UK's entry into the ERM was a move which Sir Martin strongly welcomed because he feared that London would become steadily isolated from the mainstream of the EC – the Schengen Six countries which are on the fast track to economic union.

"Think how this looks, for example, from Tokyo. It might make the Japanese think the financial centre of the EC might be divided between London, Paris and Frankfurt. If this view took hold, it could become self-fulfilling."

He fears that people in the UK underestimate the momentum on the Continent behind the desire for monetary union.

He has his own reservations, however. Imposing monetary union on areas of disparate economic performance could cause permanent damage. A single currency also means in practice not just a single monetary policy but a centrally agreed economic policy as well. "This has not yet sunk in."

If the UK did remain standoffish from the EC this need not, in many people's view, necessarily harm London, which has historically done well out of being different. But he says that this view is out of date.

"London thrived in a period of rigid controls on capital movements – because of the clear need for an international market to handle funds which wanted to remain free of those controls. This situation no longer exists. Domestic markets and Euromarkets are free to merge. We have to succeed on a so-called level playing field."

He is particularly keen that London should become the home of any future European central bank – or at least of the operating arm through which it dealt in the financial markets.

"It would be very important to have the operating arm in London. There is a need for physical proximity between the operating arm and the market participants because they have to meet and discuss things almost daily. There is every reason why Eurofed's operating arm should be in London. There is a cast iron case for it as matters now stand.

He strongly welcomed the UK's entry into the ERM

"Today, London is far away the leading centre. People like dealing here, they trust our markets, they are well regulated. There is a long tradition of principal risk-taking. Everyone wants to go on using London. But we must be vigilant in meeting competition. London must be economical and hospitable."


Sir Martin Jacomb: sees strong competitors on the Continent

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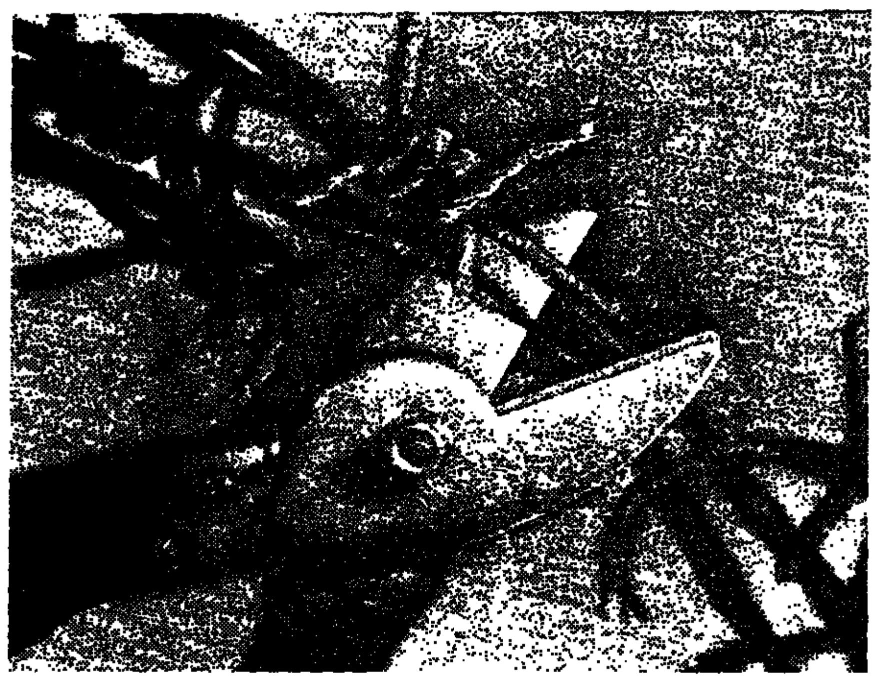
EUROPE IS CHANGING, POLITICALLY, FINANCIALLY, ECONOMICALLY.



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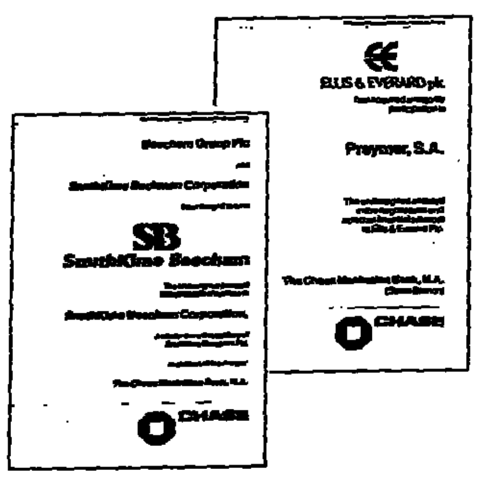

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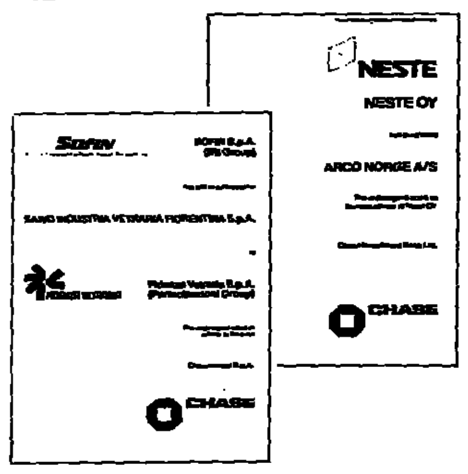

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COMMODITIES AND AGRICULTURE

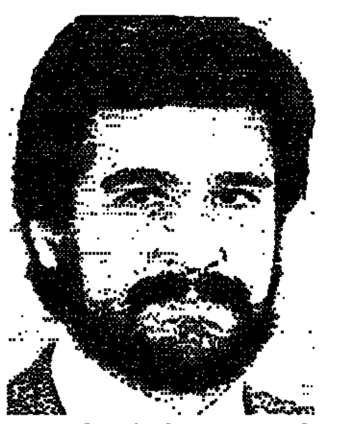
Taking the flak over EC fishing debacle

Tim Dickson talks to the man fishermen will blame for the fleet cuts they are facing

MR MANUEL Marin, the commissioner in charge of European Community fisheries policy, will not be most popular man on the quayside at Peterhead this morning. Yesterday's dramatic news from Brussels that EC fleets may need to be slashed by an average 40 per cent after 1992 will be blamed by many boat owners primarily on the black bearded, flashing eyed Spaniard.

In his two years in the hot seat Mr Marin has certainly become well accustomed to taking the flak, not least, as he likes to point out, from his own vociferous countrymen. But sitting pensively in his office in Brussels yesterday he made it quite clear that he thought the responsibility for the disarray of the Common Fisheries Policy lay with the EC's member states and their failure to control overfishing.

The resource conservation policy in force at EC level since 1983 is based on total allowable catches, split up between member states in the form of annual quotas, and on technical restrictions designed primarily to reduce or eliminate the taking of young fish.



Manuel Marin: Brussels should have powers to make the control policy work

Last week's EC Fish Council – when Ministers refused to agree a proposed package of measures including bigger mesh sizes for white fish in the North Sea – was cited by Mr Marin as a classic example of national governments' inability to take difficult but essential decisions when their own vested interests are at stake. "In my experience they spend their whole time in negotiations trying to show that the others are the guilty ones," he said yesterday.

Although it would be up to member states to decide, his own open preference was that Brussels should in future be given the proper authority and powers to make an EC control policy work. Despite the contradictions of national quotas with the single market philosophy he saw no alternative to continuing with TAC system broadly in its present form; if control responsibility was transferred to the EC, however, he said that licensing for individual boats would have to be introduced.

Mr Marin pointed out that this approach already worked well with some shared stocks in the Baltic and the Atlantic, the only difference with conventional quota system being that each vessel would be allocated its own annual catch.

On top of this the Spanish commissioner believed that technology in the form of satellite tracking could come to the aid of the conservationists. Dismissing those who accuse him of wanting to instal a sort of "spy in the cab" at sea he said that accidents could be avoided and lives saved as a result.

Yesterday's "communication" from Brussels will be used as the basis for formal proposals next year covering among other things capacity reductions and social compensation measures for those worst affected. While stressing that the current multi-annual guidance programme (which sets the principle of an overall reduction in capacity for the period 1987-91 of 3 per cent in tonnage and 2 per cent in engine power) was inadequate, he said that the 40 per cent proposed by the independent experts group was not the only solution.

He pointed out that two years was generally needed for the biomass of most stocks to "recuperate" and he favoured schemes which would allow some fishing effort to continue while incomes were topped up by a combination of community and national funds. He found it "incomprehensible" that fisheries was excluded from the scope of the EC's structural funds in the 1988 financial reforms but believed that the sector would certainly be included after 1992. Detailed analysis of stocks and fleets, he explained, would now be carried out with a view to specific recommendations for individual species and zones.

Not for the first time Mr Marin was defensive about his Iberian roots, an issue which has frequently surfaced in Brussels, given that about half the community fleet is either Spanish or Portuguese.

While admitting that the North Sea was the main target of his new attack, he insisted that he was acting in the community interest and some measures would be deeply unpopular with his countrymen.

Norwegian salmon faces anti-dumping duty in EC

By James Buxton, Scottish Correspondent

SCOTTISH SALMON growers have accused the Norwegian salmon industry of once again dumping fish in EC markets and depressing prices for farmed salmon. Earlier this month the EC Commission upheld a complaint by Britain and Ireland that Norway had been dumping salmon and is proposing an import duty of 11.4 per cent.

In January Norway set up an intervention buying system in response to complaints from Britain and Ireland that its farmers were selling large quantities of salmon at below cost. The intervention organisation bought in and froze 38,000 tonnes of salmon and most of it had been resold by September.

Mr William Crowe of the Scottish Salmon Growers' Association said: "We are facing a repetition of the 1989 market situation." Prices, he said, having risen after the intervention scheme began, had been falling in recent months and were now at "disastrous" levels.

"We have evidence from the French salmon market that fish are being sold at below the intervention price and production costs, and false invoices issued," he said.

Mr Crowe said he believed that the salmon were black market fish produced illicitly and therefore not qualifying for intervention. Otherwise it was hard to explain why farmers would sell fish for about NKr23 (£2) a kilogram when they could get NKr32 from intervention.

"We are asking the Norwegians to police their industry properly," he said, "and we want the EC to impose the import duties on Norwegian salmon." The 11.4 per cent rate proposed by the Commission should be 21 per cent to represent the average level of price undercutting by the Norwegians, he said.

Nickel output cut threatened if price stays low

By Bernard Simon in Toronto

FALCONBRIDGE, THE western world's second largest nickel producer, says that it will shut down capacity rather than produce metal at uneconomic prices.

Mr Alex Balogh, the company's chief executive, said in an interview that no decision had yet been made on closures at its operations at Sudbury, Ontario, or in the Dominican Republic following the recent slide in nickel prices, but that any shutdowns were likely to coincide with the Christmas holidays.

Asked whether Falconbridge's threat to take capacity out of the market was a tactic to bolster prices, Mr Balogh insisted that "we are prepared to make closures when we can't supply the market at a reasonable price."

He said that Falconbridge Dominicana (Falcondo), in which Falconbridge has an 85 per cent stake, could operate profitably at prices of around US$4.50 a lb, but that a drop below US$4 a lb combined with high oil prices put a question mark over the operation.

Energy accounts for more than half of Falcondo's operating costs. For every $1-a-barrel rise in the price of oil, its costs go up by 4.5 US cents a lb.

The nickel price has dropped as low as $3.60 per lb this week. Mr Balogh said that he expected the price eventually to stabilise at about $4.50 a lb.

At full production, Falcondo should produce about 70 million lbs of nickel this year, roughly 40 per cent of Falconbridge's total expected refined production of about 165 million pounds. Falconbridge is equally owned by the Canadian resources group Noranda and by Trelleborg of Sweden.

Grounds for concern in Brazil's coffee industry

High costs and poor quality are blighting grower's hopes, writes Victoria Griffith

THE BRAZILIAN coffee sector has received an unexpected lift over the last few weeks from a falling cruzeiro, which has made the country's coffee more competitive on the world market. But exporters say the product has done little more than make up ground it lost during the previous months, when the domestic currency was heavily overvalued.

Brazilian coffee faces large long-term obstacles. Hit hard by three below-average harvests, scarce credit and surging production costs, the industry is facing the prospect of heavily reduced output – some say by up to 50 per cent over the next few years – and a shrinking world market. The government's exit from the coffee sector a few months ago has added to the industry's troubles.

Mr Bruno Angst, an exporter and coffee consultant from Santos, described the atmosphere as "confused".

"Before," he said, "we all knew the price we could sell coffee at two or three months in advance. The government provided statistics; we were much better protected from risk."

The government's pull-out hit at a time when the coffee sector was still in disarray over the collapse of the International Coffee Organisation's export quota system. The ICO had previously set quotas for exporting countries, thereby controlling international supply.

Although many exporters had opposed the quotas, some now feel their absence has added to confusion in the industry. But following inconclusive ICO talks in London last month, the coffee industry in Brazil is pessimistic about the prospects for international accord with economic clauses being agreed in the near future. "I doubt if we will see an agreement any time over the next two years," said Mr Angst.

The elimination of the Coffee Institute, which had managed the marketing of Brazilian coffee, and the collapse of the international agreement are not the only problems facing the Brazilian coffee industry. These events have only magnified vulnerabilities that had existed in the sector for a long time.

Perhaps the biggest threat to long-term competitiveness is the poor quality of Brazilian coffee compared with crops in Colombia and Central America. This year's harvest has been especially poor in Brazil and no one knows exactly how many bags (60 kg each) are of export quality; estimates range between 10m and 18m.

The quality problem is likely to continue to haunt Brazil for some time as consumers increasingly demand milder types that are difficult to grow in Brazilian conditions. During the year to July 1990, world demand for mild coffee increased from 49.2 per cent of all shipments to 54.5 per cent. Brazil produces mainly lower-grade arabicas and robustas, rather than the higher-grade arabicas which are known as "milds". (The names given to these coffee types are rather misleading. So-called "milds" are the grains which give the coffee a strong taste, whereas "robustas" are less flavoursome).

Brazil does not have the climatic and altitudinal conditions to produce consistently high-grade coffee

Coffee producers agree that Brazil does not have the climatic and altitudinal conditions to produce consistently high-grade coffee. Most vulnerable to the new up-market trend are low-quality areas like Sao Paulo.

Producers complain that they have also been hit hard by the effective advertising campaign of Colombia. "The lack of advertising of Brazilian coffee is a serious failure in a market which is becoming increasingly consumer oriented," said Mr Jose Geraldo Rodrigues de Oliveira, and agricultural engineer at the Guaxaupe co-operative. However, with some 320,000 growers in the sector, organising an promotional campaign is not an easy task.

The rising trend in labour costs is another major problem for Brazilian coffee farmers. Mr Joao Cunha of the National Economic Secretariat is hoping farmers will increase productivity over the next few years by investing in mechanisation.

This, however, is more easily said than done. Many areas in Brazil, particularly the high-quality plantations of Minas Gerais, are too hilly to adopt mechanisation. Moreover, Brazilian coffee farmers are faced with a lack of available credit in the Brazilian monetary system. Many are already reeling under previously accumulated debts and have no money to invest in new machinery.

Even if they are lucky enough to obtain credit, real interest rates of up to 10 per cent a month in recent weeks place a heavy burden on producers. Without mechanisation, however, Brazilian farmers are set to suffer further declines in productivity. Since the Collor administration came to power in March the minimum wage has been increasing by about 3 per cent a month. According to Mr Angst, labour cost per sack of coffee will have risen two to three times by 1993.

The new environment should favour the larger multinational companies operating out of Brazil. "The multinationals are used to operating in a more insecure environment," said one coffee exporter. "They have better access to information and to credit from abroad, and the fact that they operate out of several markets reduces their overall risk. National companies have been the hardest hit."

Exacerbating the situation is the rise in oil prices resulting from the Middle East crisis, which has pushed up the cost of petroleum-based fertiliser. With international coffee prices rising at last and exports getting a boost from a falling cruzeiro, the coffee industry is hopeful of a short-term improvement in the situation.

But it is unlikely that Brazil will fully recoup its share of world coffee exports, which fell by 3.3 per cent to 22.5 per cent between July 1989 and July 1990.

The country's coffee industry has become so uncompetitive that Mr Oliveira complained that much of this year's coffee was sold for less than its production cost. And with no credit available, producers say they will be forced to leave large tracts of land unplanted, or switch to lower-cost cattle farming.

Other plantations have been so badly neglected that it will take six or seven years to regain lost productivity. Moreover, many growers here were so short for cash that they sold their stock before the recent hike in prices took place. Even if the world coffee market continues to improve, these troubles will continue to put pressure on Brazil's share of international sales.

Tin prices on the slide in Kuala Lumpur market

By Lim Siong Hoon in Kuala Lumpur

TIN PRICES in the Kuala Lumpur Commodity Exchange have been declining steadily in recent days, in spite of indications that Malaysian output would fall this year and reports that more mines were to close and more lay-offs were expected.

For several months the local spot price held at above M$16 (£3) a kilogram, but it fell for the sixth consecutive day yesterday, to M$15.45 from M$15.66 on Tuesday. Since last week prices have lost nearly 5 per cent.

Miners are complaining that this year's price levels are below their unit production cost and that higher fuel prices since the Gulf crisis have made their problems worse. Present prices, they say, are in real terms below those fetched following the 1985 tin market crash.

Today there are fewer than 200 operating mines compared with 321 at the end of last year; employment in the sector has fallen from 12,700 to fewer than 10,000.

According to the latest available statistics, domestic output in the eight months to August fell by 5 per cent to 20,100 tonnes from 21,200 tonnes mined in the same period last year. Production in 1989, when prices averaged M$20.05 a kilogram, was 32,034 tonnes.

At the end of August tin stocks stood at 19,600 tonnes compared with 19,300 tonnes a month earlier.

Soviet food aid 'frightening' for NZ

By Peter Montagnon, World Trade Editor

WESTERN FOOD aid to the Soviet Union "would destroy a major market" for New Zealand's dairy producers with frightening consequences for an economy already wracked by deep recession and unemployment, Mr Philip Burdon, Trade Minister said in London yesterday.

European governments, including Germany, France, Italy and Spain are expected to grant large scale food aid to Moscow in response to a request from Mr Mikhail Gorbachev at last week's Paris summit. The US and Canada are also considering the request.

Yet New Zealand does not have the ability to subsidise sales to the Soviet Union, which is already NZ$150m (£48m) behind in payments on its imports, Mr Burdon said.

Despite the arrears, the Soviet Union had the capacity to pay and had proved a reliable customer over the past 30 years for both dairy products and wool.

"There is nowhere else that we can dispose of that quantity of dairy produce," said.

New Zealand, along with its 12 partners in the Cairns group of farm exporters, had recognised that food aid could be used as a back-door means of subsidising farmers. For that reason the group was insisting in the Uruguay Round of multilateral trade talks that such aid be permitted on a grant basis alone.

This would force donor governments to absorb the full cost of the aid instead of recouping some of their expense through concessionary credits.

WORLD COMMODITIES PRICES

MARKET REPORT

Cash copper closed at £1,244 a tonne on the LME yesterday – the lowest level for more than two years. The market tried to consolidate as earlier short sellers took profits although most operators were still inclined to hit any rallies after Tuesday's downside break on the charts, traders said. The recent widening in the contango (discount for cash metal) was an additional depressant. Comex copper prices were also in retreat at midday on fund selling. LME lead prices closed at 2½-year lows. Traders said that apart from a bearish chart pattern the physical sector, with its relatively slow offtake at a time of year when battery manufacturer demand is usually a feature, was not providing much support. In Chicago soyabean and maize futures were edging ahead at midday on a report that the Soviet Union and Saudi Arabia have discussed a $4bn loan, sparking rumours that the Soviets would use the loan to buy much needed grains and feedstuffs. However, the gains were limited by persistent trade talk that the Soviets might not buy US goods, but opt to cover needs from South America because the US has long denied them most-favoured-nation trade status.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$27.85-8.10v	-0.25
Brent Blend (dated)	$34.05-4.15	-0.55
Brent Blend (January)	$32.35-2.40	-0.275
W.T.I. (1 pm est)	$32.55-2.60	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$300-305	-14
Gas Oil	$317-319	-3
Heavy Fuel Oil	$137-139	-4
Naphtha	$310-313	-7
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$385	
Silver (per troy oz)♣	410c	-3.0
Platinum (per troy oz)	$430.20	+6.2
Palladium (per troy oz)	$93.50	
Aluminium (free market)	$1535	-15
Copper (US Producer)	118c	-4.5
Lead (US Producer)	50c	
Nickel (free market)	376c	-9
Tin (Kuala Lumpur market)	15.45r	-0.21
Tin (New York)	275c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	103.68p	+0.85*
Sheep (dead weight)†	140.15p	-1.57*
Pigs (live weight)†	72.24p	+0.62*
London daily sugar (raw)	$258.0w	-1.2
London daily sugar (white)	$310.0w	-2.5
Tate and Lyle export price	£238.50	-1.5
Barley (English feed)	£118	+2.0
Maize (US No. 3 yellow)	£163.5	
Wheat (US Dark Northern)	£81u	
Rubber (Jan)♥	50.75p	-0.25
Rubber (Feb)♥	51.00p	-0.25
Rubber (KL RSS No 1 Dec)	242.5m	-0.5
Coconut oil (Philippines)§	$370z	-5.0
Palm Oil (Malaysian)§	$345	
Copra (Philippines)§	Unq	
Soyabeans (US)	£133.5	
Cotton "A" index	82.75c	+0.10
Wooltops (64s Super)	404p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Jan w-Dec/Jan z-Jan/Feb x-Mar. †Meat Commission average latstock prices. * change from a week ago ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	223.40	221.20	223.00 219.00
May	224.20	221.60	224.20 220.20
Aug	227.20	223.60	227.20 223.20
Oct	226.40	223.60	225.00 222.40
Mar	230.00		223.00
White	**Close**	**Previous**	**High/Low**
Mar	303.5	304.5	304.0 302.0
May	303.4	303.5	304.0 301.8
Aug	308.0	307.0	309.0 306.4
Oct	290.5		290.0 284.0
Dec	287.0		286.0 281.5
Mar	288.5		287.5 283.0
May	290.0		288.5 284.5

Turnover: Raw694 (1147) lots of 50 tonnes. White 420 (596)
Paris- White (FFr per tonne): Mar 1517, Aug 1555, Oct 1468.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jan	32.85	32.89	32.99 31.70
Feb	31.50	31.39	31.50 30.50
Mar	30.00	30.00	30.05 29.40
Apr	28.55		28.55 28.50
IPE Index	33.15	32.86	

Turnover: 24471 (11587)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Dec	301.25	303.50	301.75 293.75
Jan	286.75	289.50	287.50 279.50
Feb	270.75	272.50	272.00 264.00
Mar	253.50	255.00	255.00 252.00
Apr	239.00	241.00	243.00 237.00
May	237.00	236.50	237.00 233.50
Jul	230.00	232.00	230.00

Turnover 10000 (10616) lots of 100 tonnes

WOOL

There has been some improvement in wool and top business in Bradford and in Europe generally. As some of the intensely competitive selling prices are eliminated some small increases in quote prices have been made. The rise is only a matter of a few pence at most, no more than 5pc, and it has been helped by slightly better clearance of British wool last week, partly due to limited offerings ahead of the Christmas break. Despite this modest market improvement the industry's optimism is very limited, in view of a world surplus of wool and severe damage done by stock losses after the floor price reduction

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	679	686	682 673
Mar	735	733	739 727
May	761	756	764 754
Jul	782	776	787 777
Sep	801	796	801 797
Dec	825	822	824 819
Mar	846	848	846 840

Turnover: 12040 (7693) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 27 975.85 (992.75) 10 day average for Nov 28 975.01 (966.96)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Nov	614	625	625 610
Jan	630	635	637 620
Mar	584	588	593 582
May	585	585	590 583
Jul	595	599	601 593
Sep	611	611	615 613

Turnover:5441 (12374) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 27: Comp. daily 71.63 (70.97). 15 day average 69.70 (69.69)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Apr	141.6	140.5	142.5 140.5
May	160.0	160.5	160.0 159.0

Turnover 99 (271) lots of 40 tonnes.

SOYAMEAL – HI-PRO (£/tonne)

	Close	Previous	High/Low
Apr	116.50	117.50	116.50
Jun	117.50	118.00	117.50 117.00
Aug	118.00		118.00

Turnover 100 (189) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Nov	1330	1330	1330
Dec	1349	1338	1352 1340
Jan	1332	1316	1334 1320
Apr	1265	1265	1270
Jul	1040	1035	1040
BFI	1329	1324	

Turnover 277 (158)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Jan	119.95	120.00	119.95 119.85
Mar	123.50	123.50	123.50 123.35
May	126.35	126.85	126.65
Barley	**Close**	**Previous**	**High/Low**
Mar	120.15	120.15	120.15

Turnover: Wheat 93 (228), Barley 10 (0).
Turnover lots of 100 tonnes

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	87.5	87.0	87.1 87.0
Feb	89.0		88.5

Turnover 18 (25) lots of 3 250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 10,265 lots
Cash	1525-7	1540-2	1535	1536-8		
3 months	1560-1	1575-6	1582/1560	1571-2	1563-5	69,410 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,962 lots
Cash	1243-5	1277-9	1259/1247	1255-7		
3 months	1262-4	1297-8	1272/1263	1270-1	1266-8	108,281 lots
Lead (£ per tonne)						Total daily turnover 1,876 lots
Cash	327-9	333-5	328	328-8.5		
3 months	333.5-5	341-2	338/332.5	334-5	330-2	11,692 lots
Nickel ($ per tonne)						Total daily turnover 1,924 lots
Cash	8150-200	8175-225	8075	8075-100		
3 months	7925-50	8000-25	8000/7910	7900-10	7925-50	7,672 lots
Tin ($ per tonne)						Total daily turnover 1,364 lots
Cash	5940-50	5935-45		5910-5		
3 months	5945-55	5950-60		5915-20	5960-60	9,458 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,038 lots
Cash	1252-3	1267-9		1250-2		
3 months	1243-4	1259-60		1239-40	1240-41	18,962 lots

LME Closing £/$ rate: SPOT: 1.9745 3 months: 1.9603 6 months: 1.9340 9 months: 1.9160

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384¼-384¾	195-195½
Opening	387½-388	195½-196
Morning fix	384.75	194.005
Afternoon fix	385.00	194.857
Day's high	387½-388	
Day's low	383¼-383¾	

Coins	$ price	£ equivalent
Mapleleaf	394-399	199¼-202¼
Britannia	394-399	199¼-202¼
US Eagle	394-399	199¼-202¼
Angel	394-399	199¼-202¼
Krugerrand	383½-386½	194½-196
New Sov.	90½-92½	45¾-46¾
Old Sov.	90½-92½	45¾-46¾
Noble Plat	435.30-442.30	220.15-223.65

Silver fix	p/fine oz	US cts equiv
Spot	207.95	411.40
3 months	214.65	419.50
6 months	221.20	427.85
12 months	233.45	443.85

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
600	44	24	15	41
650	19	11	40	78
700	7	5	78	122
Cocoa	**Mar**	**May**	**Mar**	**May**
700	66	89	31	29
750	41	61	56	51
800	25	42	90	82
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
3300	175	270		
3350				
3400	135	250		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	385.7	385.8	386.7	384.3
Jan	387.4	387.6	0	0
Feb	388.6	388.9	389.7	387.3
Apr	391.9	392.1	392.8	390.7
Jun	395.4	395.5	396.5	394.5
Aug	398.6	398.7	0	0
Oct	402.0	402.1	401.0	401.0
Dec	405.4	405.5	404.3	404.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	424.5	420.0	0	0
Jan	427.5	423.8	431.0	426.5
Apr	431.5	427.9	435.0	431.0
Jul	435.5	431.9	439.0	433.5
Oct	439.5	435.6	438.0	438.0
Jan	444.5	440.6	447.0	447.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	412.4	410.0	0	0
Dec	412.5	410.2	413.0	406.0
Jan	414.5	412.2	0	0
Mar	421.4	419.0	421.9	415.5
May	427.5	425.0	427.5	422.0
Jul	433.4	430.8	434.5	428.0
Sep	439.3	436.6	437.0	434.0
Dec	447.6	444.7	446.5	442.0
Jan	449.8	446.9	0	0
Mar	456.4	453.5	454.0	454.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	112.30	112.30	113.00	112.20
Dec	112.25	112.30	112.80	110.60
Jan	111.15	111.10	111.50	110.00
Mar	108.50	108.70	109.00	106.60
Apr	107.90	107.95	107.80	107.00
May	107.25	106.90	107.10	105.50
Jun	106.95	106.15	0	0
Jul	106.20	105.40	105.50	105.00
Aug	106.20	104.70	0	0
Sep	105.30	104.10	104.35	103.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	32.65	32.86	32.80	32.15
Feb	31.83	31.92	32.00	31.40
Mar	30.65	30.69	30.75	30.30
May	28.30	28.45	28.30	28.20
Aug	26.30	26.47	26.33	26.20
Sep	25.80	26.04	25.86	25.79
Oct	25.40	25.66	25.45	25.40

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	8310	8360	8350	8290
Jun	7290	7330	7280	7270
Jul	7190	7235	7190	7190

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1284	1280	1293	1277
Mar	1328	1324	1339	1321
May	1362	1360	1373	1359
Jul	1395	1393	1410	1398
Sep	1425	1435	1433	1424
Dec	1465	1470	1465	1457
Mar	1500	1496	1495	1491

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	84.80	84.95	84.80	83.35
Mar	87.80	88.00	87.95	87.00
May	89.95	90.20	90.25	89.30
Jul	92.15	92.50	92.40	91.75
Sep	94.25	94.55	95.00	94.00
Dec	97.30	96.50	97.50	97.00
Mar	99.75	98.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.98	9.98	9.99	9.82
May	10.02	9.98	10.02	9.85
Jul	10.04	9.99	10.04	9.88
Oct	10.03	9.99	10.04	9.89
Mar	10.12	10.01	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	75.50	76.54	76.70	75.25
Mar	73.91	74.03	74.24	73.90
May	73.67	73.65	73.80	73.60
Jul	73.67	73.61	73.85	73.65
Oct	67.73	67.68	67.80	67.80
Mar	66.25	65.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	108.40	107.75	109.95	107.30
Mar	110.30	110.00	112.00	110.00
May	111.55	111.10	112.00	111.40
Jul	112.50	111.35	112.55	112.25
Sep	112.50	111.35	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 28	Nov 27	mnth ago	yr ago
1699.7	1708.7	1724.3	1828.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 27	Nov 26	mnth ago	yr ago
Spot	123.46	123.72	125.35	129.66
Futures	124.71	125.37	128.23	131.11

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	586/4	582/2	589/0	582/2
Mar	600/6	595/6	603/0	596/2
May	613/0	608/2	615/2	609/0
Jul	624/4	619/2	626/2	619/4
Aug	625/6	620/6	626/4	621/4
Sep	616/0	609/0	617/0	613/0
Nov	612/2	611/2	614/0	609/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.35	20.84	21.50	20.75
Jan	21.61	21.13	21.77	21.05
Mar	21.93	21.47	22.10	21.42
May	22.25	21.77	22.35	21.75
Jul	22.49	21.97	22.63	21.95
Aug	22.40	21.80	22.60	22.00
Sep	22.45	21.90	22.55	21.85
Oct	22.52	21.90	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	170.2	172.6	173.8	170.0
Jan	173.2	175.0	176.5	173.1
Mar	177.8	178.7	180.4	177.7
May	180.8	181.3	182.8	180.6
Jul	183.9	184.0	186.0	183.8
Aug	185.0	185.5	186.5	185.0
Sep	184.7	184.0	185.5	184.5
Oct	182.7	183.5	184.5	182.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	220/4	218/2	220/4	218/4
Mar	233/0	230/0	233/2	230/6
May	241/2	238/6	241/4	239/0
Jul	247/4	244/6	247/4	245/4
Sep	247/4	244/4	248/4	246/2
Dec	248/4	245/6	248/6	246/0
Mar	255/0	252/6	256/0	254/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	242/6	242/2	245/0	242/4
Mar	260/2	259/4	261/6	260/0
May	269/4	268/0	270/6	268/6
Jul	276/6	273/0	277/0	275/0
Sep	282/2	278/4	283/0	281/0
Dec	293/2	292/0	294/0	290/0

LIVE CATTLE 40,000 lbs; cents/lbs.

	Close	Previous	High/Low	
Dec	78.75	79.10	79.27	78.70
Feb	75.67	76.25	76.27	75.62
Apr	75.75	76.05	76.12	75.70
Jun	73.52	73.82	73.85	73.50
Aug	72.05	72.30	72.37	72.05
Oct	72.05	72.25	72.30	72.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	51.32	52.50	52.77	51.25
Feb	49.30	50.62	50.75	49.25
Apr	46.52	47.57	47.75	46.45
Jun	50.62	51.45	51.70	50.60
Jul	50.95	51.90	51.80	50.90
Aug	49.90	50.35	50.45	49.80
Oct	44.60	45.10	45.50	44.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	68.15	70.15	71.12	68.15
Mar	67.67	69.67	70.65	67.67
May	67.80	69.80	70.65	67.80
Jul	67.20	68.70	69.60	67.10
Aug	64.60	66.40	67.45	64.60

LONDON STOCK EXCHANGE

Shares fall as base rate hopes falter

THE FORMAL appointment of Mr John Major as the new prime minister found a cool reception yesterday in the London stock market as investors turned their attention back to the problems overhanging the domestic economy and to the Middle East.

Confidence in prospects for early cuts in UK base rates was challenged by a hardening in London money market rates and concern over recessionary pressures revived after Sir Denys Henderson, chairman of ICI, predicted that the UK recession will last from 12 to 18 months.

So widespread had been the forecasts that shares would respond favourably to Mr Major's appointment, announced after trading hours on Tuesday, that the news had already been discounted in the market. With an initial gain in sterling quickly trimmed, equities soon slipped back from overnight levels, and by mid-morning a loss of nearly 22 points was showing on the FT-SE Index.

Selling was moderate, however, and the market tried hard to rally. But both the December short sterling contract and London's three-month interbank rate turned more cautious on interest rate prospects, and these trends discouraged investor sentiment in the equity market.

The international scene was also uncertain, with Mr Alan Greenspan, chairman of the Federal Reserve, expressing doubts to a Congressional committee of any early easing in US monetary policy, and the UK financial sector troubled by renewed suggestions of problems in the Japanese property and banking area.

Wall Street opened the new session equally cautiously to show a gain of 7.67 Dow points in London trading hours. The UK market closed a net 15.2 points down at 2,144.3. However, traders pointed to a moderate level of turnover, with 381.5m shares traded through Seaq compared with 378.6m shares in the previous session.

Also indicating that underlying confidence had been sustained in the equity market was the successful placing yesterday with institutions of some 15.7m shares in Costain, the building group, at a price only just below the current market quotation, despite the clouds still hanging over the construction sector which has been hard hit by high interest rates. The shares were sold for just over £31m by Trafalgar House and lifted some of the concern hanging over the outlook for the dividend from the shipping and building industry conglomerate.

However, the slightly less confident view on interest rates showed itself in falls in retail stocks, where store shares were additionally unsettled by downgradings of several leading groups by UBS Phillips & Drew. Banks suffered similar declines with share losses accelerated by downgradings from Laing & Cruikshank, the London securities firm.

Market strategists were busy yesterday assessing the implications for equities of Mr Major's appointment as prime minister and also of his reshaping of the Cabinet, which was announced after market hours last night.

Mr Bill Smith at Barclays de Zoete Wedd commented: "It is back to the real economy, after a fortnight of reacting to political news." At County NatWest, Mr John Reynolds said there are "no prizes" for cuts in interest rates until there are clearer signs that UK inflation has topped out. He added: "December 14, when the November inflation numbers are due, could be the date to watch."

Account Dealing Dates

*First Dealings: Nov 19	Dec 10	Dec 31
Option Declarations: Dec 6	Dec 27	Jan 10
Last Dealings: Dec 7	Dec 28	Jan 11
Account Day: Dec 17	Jan 7	Jan 21

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 28	Nov 27	Nov 26	Nov 23	Nov 22	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	81.90	82.43	82.51	81.88	81.79	83.15	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.48	89.46	89.26	89.09	88.78	92.36	92.91 (8/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1686.2	1699.7	1698.6	1712.2	1672.2	1781.7	1966.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	158.1	157.5	158.7	155.3	156.0	286.9	378.5 (6/2)	155.0 (19/11)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2144.3	2159.5	2151.9	2170.5	2127.9	2255.6	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	951.24	948.31	950.43	972.78	972.49	-	1000.00 (26/10)	948.31 (27/11)	1000.00 (26/10/90)	948.31 (27/11/90)
Ord. Div. Yield	5.72	5.68	5.68	5.63	5.77	4.79				
Earning Yld %(full)	11.59	11.88	11.86	11.78	12.06	11.60				
P/E Ratio(Net)(*)	10.08	10.20	10.19	10.33	10.04	10.41				
SEAQ Bargns 4.45pm	21,960	23,210	28,707	26,153	26,952	25,139				
Equity Turnover(£m)†	-	703.80	699.25	731.78	872.66	959.80				
Equity Bargains†	-	21,984	28,228	24,169	24,554	21,216				
Shares Traded (ml)†	-	327.0	388.5	365.4	402.5	418.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90 ✦ Nil 5.81

Ordinary Share Index, Hourly changes — Day's High 1700.4 Day's Low 1681.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1700.4	1689.9	1690.2	1690.4	1685.1	1683.8	1685.1	1681.4	1686.5

FT-SE, Hourly changes — Day's High 2159.4 Day's Low 2137.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2159.4	2148.4	2148.6	2148.0	2143.0	2141.8	2141.7	2139.7	2144.3

FT-SE Eurotrack 100, hourly changes — Day's High 951.40 Day's Low 942.84

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
942.84	944.73	948.85	948.58	948.86	948.39	950.13

GILT EDGED ACTIVITY

Indices*	Nov 27	Nov 26
Gilt Edged Bargains	153.2	172.2
5-Day average	176.4	174.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Banks under pressure

THE CLEARING banks suffered a relatively sharp downturn after a series of profit downgrades. Institutions sold stock in a sector that was looking increasingly vulnerable, after UBS Phillips & Drew removed Barclays from its buy list, and Laing & Cruickshank issued a general profits downgrading for the sector.

There is mounting concern that rising overheads and a slowdown in growth of net interest income have yet to be reflected fully in profit forecasts. Furthermore, very many industrial and commercial companies are currently geared at historic highs, thus limiting the scope for quality lending opportunities.

In suggesting a fall in second half operating profits of up to 10 per cent, Mr Martin Hughes of Laing & Cruickshank said: "There is an additional problem if UK lending starts to decline across the board." He added that "not only are current share values overpricing a medium-term recovery, they are still ignoring that worse is still to come in 1991."

Among leading banks, Barclays fell 12 to 382p and NatWest lost 9 to 285p. Royal Bank of Scotland were 3 lower at 144p ahead of today's release of year-end figures, while Standard Chartered lost 14 to 268p. Midland dipped 2 to 197p as dealers reported a long line of stock appearing on the market.

Meanwhile, Hambros reported an increase in interim profits and dividend, but the depressed state of the sector left the share price a penny easier at 235p. The company stressed that it is too early to assess the benefits of the recent cut in interest rates and of sterling's entry into the exchange rate mechanism.

However, Hambro Countrywide, the bank's property services subsidiary, is considered to be in a strong position to benefit from any upturn in the housing market.

Costain stake sold

Hopes of Trafalgar House maintaining the dividend payment rose after the sale yesterday of its 8.8 per cent holding, some 15.7m shares, in construction group Costain. One relieved analyst said the proceeds of £31.4m from the sale could go a long way towards the £48m required for the final dividend distribution.

The market has been concerned for some months that Trafalgar could be the first UK industrial major to cut its dividend. It is particularly prone to the depressed conditions in the construction/property sector, whose problems began long before the summer downturn in the economy.

Numerous bouts of heavy selling have forced the Trafalgar share price down. On November 15 it touched a seven-year low point. Immediately after yesterday's news the stock bounced to 185p, but the gain was eventually pared to only 2 at 174p. Trafalgar reports its annual results on Tuesday next.

Kleinwort Benson placed the Costain stock at 201p a share with a limited number of institutions. In the market, Costain stock retreated 10 to 200p.

Maxwell in demand

US buying helped Maxwell Communication buck the market trend in spite of a mixed response from analysts to the company's interim figures. The shares closed up 4½ at 154p, having peaked during the session at 162p, after good turnover of 2.9m.

Profits rose 6 per cent to £90.1m, but several analysts were concerned that a large proportion of these earnings had arisen from debt management and currency fluctuations, rather than the company's core businesses. One said: "The shares remain supported largely by the yield."

A more positive picture was painted by Ms Angela Bawtree at S.G. Warburg. She said that while foreign exchange gains might account for £80m of the likely year-end profit of £180m, this reflected astute management of dollar debts. The gains might not be sustainable, but debt and therefore interest charges were falling.

She added that although the yield was about 14 per cent, implying that the market considered the dividend vulnerable, this was unjustified. "The dividend is safe", said Ms Bawtree, explaining that the company had said the 65 per cent holding of Mr Robert Maxwell, his family and trusts would again take dividends in shares rather than cash.

Glaxo was one of the few FT-SE 100 stocks to gain ground as US buyers were active in the wake of the announcement of a North American deal. The group is to take a stake in IAF Biochem, of Canada, and establish a joint venture with the company. Traders said they hoped that the rationale of the deal would be made clearer at a presentation to analysts due tomorrow. Glaxo closed at its highest level of the day, 6½ up at 796p.

A broker's reassessment of prospects for T & N hit the shares hard. They fell 13 to 149p as Albert E. Sharp, the Midlands broking house, took the view that many market forecasts for T & N profits next year were over-demanding. We believe a more cautious approach is necessary because of the slowdown in world automobile and component markets, said Sharp.

It now assumes the group will make less than £100m in 1991. The house is still working on its new estimate; other analysts are forecasting profits ranging from £105m to £120m.

Composite insurers finished on a weak note. The recent rise in share values was regarded by many as overdone, making the sector ripe for profit-taking. Furthermore, Mr Eric de Bellaigue of Panmure Gordon stressed that the rise in premiums "is not the universal panacea that recent share price movements may be suggesting", adding that "a series of similar premium increases may be necessary to restore the level of profitability enjoyed as little as two years ago".

NSM, the coal processing and waste management specialists, dropped 10 to 55p after a fall in interim profits. While the company saw little chance of a turnround in the construction and building sector in the second half, there are signs the energy and waste business would continue to progress.

Thorn EMI remained sensitive to news surrounding the sale of MCA, the US entertainment group, to Matsushita, of Japan. After losing ground on the announcement on Tuesday that Matsushita would acquire MCA for less than had been anticipated, Thorn's share price bounced up on a report that Giancarlo Parretti, owner of MGM/UA, had put in a much higher counter-bid for MCA. Hoare Govett said that although there was no confirmation on the counter-bid, the news rekindled enthusiasm in Thorn.

Clouds hung over the aerospace sector as the dollar continued to lose ground. The market has not yet managed to shake off negative sentiment surrounding the sector after bearish views were heard from Mr Alan Clark, the UK minister for defence procurement, at a recent meeting with analysts. In addition, manufacturing issues were not helped by fears expressed by the chairman of ICI about the UK recession.

Against this background, Dowty were under pressure ahead of the results scheduled for the week after next. While analysts are generally looking for a respectable increase in profits, thanks to a recovery from airline strikes, the current recessionary mood makes the market rather nervous that it could still be in for a nasty surprise. Mr Bob Bucknell at Smith New Court pointed out that Dowty's share price has been undermined by growing fears of a downturn in the world information technology industry, which the company has been exposed to through its purchase of the CASE group. Dowty closed 5 down at 173p.

With the admission by US Federal Reserve chairman Mr Alan Greenspan that the US is indeed in a recession, a downgrading by SGST Securities of Vickers, on the basis of hard times ahead for Rolls-Royce Cars, chopped 4 off the engineering group's share price to 185p. Mr Nick Cunningham at SGST said that profit forecasts for Vickers had been lowered from £93.5m to £91.5m this year and from £89m to £75.5m for next year, on the basis of lower profits from Rolls-Royce Cars, which provides one-third of Vickers' trading profits.

The stores sector was actively traded after UBS Phillips & Drew reiterated its cautious investment stance. UBS downgraded its current year estimate for Marks and Spencer by £10m to £630m and also reduced its Storehouse forecast by £6m to £30m. "Storehouse's sales in the important build-up to Christmas are very poor," a UBS analyst said.

The other leading stores would also be affected by lower pre-Christmas trading. Storehouse fell 12 to 112p as 8.4m shares changed hands; Marks was down 9 at 230p on 9.3m.

Kwik Save initially rose after it announced a 16.5 per cent increase in full year profits to £85.3m, roughly in line with analysts' expectations. But the shares later retreated to close 7 down on balance at 447p on suggestions that some profit forecasts for the current year may be lowered to around £95m from the current £100m.

Argyll held its ground in the wake of the completion of the conversion of Presto stores to Safeway. The shares eased just a penny to 241p.

Government clearance of the Cookson sale of its graphics arts business to International Paper nudged the shares 3 higher to 104p. There was also speculation of Cookson attracting predatory interest from TI Group.

Beset recently by allegations of customer complaints and official investigations into its affairs, Eurocopy, the photocopier company, recovered 6 to 155p.

Impressive preliminary results were no comfort for ABI Leisure, the caravan manufacturer, and the shares dropped 13 to 74p. Annual profits were 37 per cent higher at £5.9m, compared with £4.3m last time.

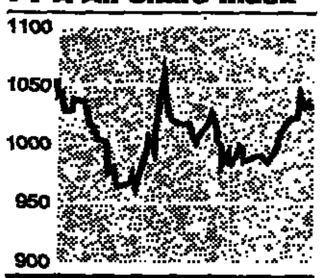
Brodero Properties fell 10 to 70p on news of a £2.5m preference share issue to parent company Slough Estates. In addition, the latter decided that it would be appropriate to reduce its interest in Brodero to less than 50 per cent through the sale of 1m Brodero shares, taking its holding to 49.5 per cent. The preference share issue was seen as necessary in order to prevent a further decline in Brodero's net asset value, caused by the recent economic downturn. Slough finished 10 lower at 233p.

Frogmore Estates lost 25 to 295p after Tuesday's denial of bid rumours, while property investment and developers MEPC shed 13 ahead of today's release of year end figures.

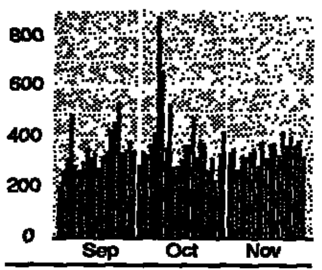
The crude oil price marked time ahead of the United Nations Security Council decision on whether and when force might be used to expel Iraq from Kuwait. Analysts said such a decision was likely today.

Shell attracted some buying interest in good volume amid vague talk of switching into the stock from the rest of the sector. Shell added 2 at 459p on 5m, while British Petroleum slipped 2 on 4.4m shares.

■ Other Market statistics, including the FT-Actuaries share index, Page 37



FT-A All-Share Index



Equity Shares Traded
Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (18).
BUILDINGS (2) STORES (1) ELECTRICALS (2) INDUSTRIALS (1) Sanders & Sidney, TRUSTS (2) OILS (2).
NEW LOWS (83).
CANADIANS (7) BANKS (5) BREWERS (1) BUILDINGS (6) CHEMICALS (1) STORES (7) ELECTRICALS (8) ENGINEERING (3) INDUSTRIALS (16) Allied Partnership, Barry Wehmiller, CSR, Christies Intl., Crean (J.) units, Essette, Gestetner, Glaves, Handley-Walker, Norfolk House, Optical & Medical Intl., Pacer Systems, Proudfoot (A.), RMT, Suter, Tubular Edgington, LEISURE (5) MOTORS (1) NEWSPAPERS (1) PAPERS (5) PROPERTY (8) TEXTILES (1) TRUSTS (17) OILS (1) MINES (10) THIRD MARKET (1).

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. Aerospace	460	531	-2	Hawker Sidd.	356	433		Reuters	1,000	638	-11	Unilever	542	849	-1
British Airways	754	140½	-½	Hillsdown	1,500	207	-2	Rolls Royce	2,300	158	-1	United Biscuits	1,000	313	-2
British Gas	5,100	233½		IMI	250	211		Rothmans	485	708	+2	Utd. Newspapers	1,200	311	-3
British Land	318	283	-6	ICI	1,100	886½	-12½	Ryl Bk Scotland	2,300	144	-3	Water Package Uts.	1	£2480	-20
BP	4,400	342	-2	Inchcape	490	244	-1	Royal Insurance	1,100	424	-2	Wellcome	712	780½	-9½
British Steel	7,200	118½		Kingfisher	1,500	389	-7	STC	1,600	318		Welsh Water	174	275	-2
British Telecom	5,000	281½	-4	Ladbroke	2,400	280		Saatchi	122	36½		Wessex Water	303	241	-1
Bunzl	1,900	67	+1	Land Securities	591	523	-9	Sainsbury	878	289	-3	Whitbread 'A'	1,500	443	-6
Burmah Castrol	431	462	-1	Laporte	39	493	-1	Scottish & New.	613	352	-2	Wiggins Teape	1,800	171	-4
Burton	7,100	88	-4	Legal & General	708	387		Sears	7,600	85	-5	Williams Hldgs.	354	234	-2
Cable & Wire	800	434	+2	Lloyds Abbey	215	340	-7	Sedgwick	1,000	230		Willis Corroon	916	251	-4
Cadburys	1,100	332	-3	Lloyds Bank	3,000	295	-5	Severn Trent Water	516	221	-3	Wimpey	50	211	-2
Calor Group	562	217	+4	LASMO	1,100	433	-5	Shell Transport	5,000	459	+2	Yorkshire Water	287	264	-4
Carlton Comms.	620	331	+1	Lonrho	789	209		Siebe	749	277	-1				
Coats Viyella	2,800	120	-½	Lucas	631	129		Slough Ests	154	233	-10				
Comm. Union	1,000	495	-4	MB Caradon	713	161	-7	Smith (W.H.) A	847	388	-10				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.10	[illegible]
104	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.04	[illegible]
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	8.74	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.24	[illegible]
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	12.16	[illegible]
[illegible]	82	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.53	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.91	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.11	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	13.22	[illegible]
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.63	[illegible]
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.26	[illegible]
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.98	[illegible]
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.58	[illegible]
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.60	[illegible]
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]		3.47	[illegible]
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.52	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.93	[illegible]
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	12.70	[illegible]
[illegible]	[illegible]	Treas. 9pc 1992-96‡‡	[illegible]	[illegible]	9.71	[illegible]
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	13.16	[illegible]
[illegible]	[illegible]	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	12.23	[illegible]
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	10.45	[illegible]
[illegible]	[illegible]	Treas 13¼pc 1997‡‡	[illegible]	[illegible]	12.17	[illegible]
[illegible]	[illegible]	Exch 10½pc 1997	[illegible]	[illegible]	10.77	[illegible]
[illegible]	[illegible]	Treas 8¾pc 1997‡‡	[illegible]	[illegible]	9.75	[illegible]
[illegible]	[illegible]	Exch 15pc 1997	[illegible]	[illegible]	12.78	[illegible]
[illegible]	[illegible]	Exch. 9¾pc 1998	[illegible]	[illegible]	10.40	[illegible]
[illegible]	[illegible]	Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	8.36	[illegible]
[illegible]	[illegible]	Treas. 15½pc '98‡‡	[illegible]	[illegible]	12.72	[illegible]
[illegible]	[illegible]	Exch. 12pc 1998	[illegible]	[illegible]	11.48	[illegible]
[illegible]	[illegible]	Treas 9½pc 1999‡‡	[illegible]	[illegible]	10.28	[illegible]
[illegible]	[illegible]	Exch 12¼pc 1999	[illegible]	[illegible]	11.57	[illegible]
[illegible]	[illegible]	Treas. 10½pc 1999	[illegible]	[illegible]	10.81	[illegible]
[illegible]	[illegible]	Conversion 10¼pc 1999	[illegible]	[illegible]	10.73	[illegible]
[illegible]	[illegible]	Conversion 9pc 2000‡‡	[illegible]	[illegible]	10.10	[illegible]
[illegible]	[illegible]	Treas. 13pc 2000	[illegible]	[illegible]	11.80	[illegible]
[illegible]	[illegible]	Treas 10pc 2001	[illegible]	[illegible]	10.66	[illegible]
117	[illegible]	Treas. 14pc '98-01	[illegible]	[illegible]	12.36	[illegible]
[illegible]	[illegible]	Treas 9¾pc 2002	[illegible]	[illegible]	10.62	[illegible]
[illegible]	[illegible]	Treas. 13¾pc 2000-03	[illegible]	[illegible]	12.08	[illegible]
[illegible]	[illegible]	Treas 10pc 2003	[illegible]	[illegible]	10.69	[illegible]
[illegible]	[illegible]	Treasury 10pc 2003 "A"	[illegible]	[illegible]	10.69	[illegible]
[illegible]	[illegible]	Treas. 11½pc 2001-04	[illegible]	[illegible]	11.29	[illegible]
[illegible]	[illegible]	Funding 3½pc '99-04	53	[illegible]	6.60	[illegible]
[illegible]	[illegible]	Conversion 9½pc 2004	[illegible]	[illegible]	10.54	[illegible]
[illegible]	[illegible]	Conversion 9½pc 2005	[illegible]	[illegible]	10.54	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas. 12½pc 2003-05	[illegible]	[illegible]	11.35	[illegible]
[illegible]	[illegible]	Treas 8pc 2002-06‡‡	[illegible]	[illegible]	10.16	[illegible]
[illegible]	[illegible]	Treas. 11¾pc 2003-07	105	[illegible]	11.19	[illegible]
[illegible]	[illegible]	Treas 8½pc 2007‡‡	[illegible]	[illegible]	10.22	[illegible]
[illegible]	[illegible]	Treas 13½pc '04-08	[illegible]	[illegible]	11.51	[illegible]
[illegible]	[illegible]	Treas. 9pc 2008‡‡	[illegible]	[illegible]	10.30	[illegible]
[illegible]	[illegible]	Treas 8pc 2009	[illegible]	[illegible]	10.11	[illegible]
[illegible]	[illegible]	Conv 9pc Ln 2011‡‡	[illegible]	[illegible]	10.33	[illegible]
[illegible]	[illegible]	Treas. 5½pc 2008-12‡‡	[illegible]	[illegible]	9.50	[illegible]
83	[illegible]	Treas 7¾pc 2012-15‡‡	[illegible]	[illegible]	10.24	[illegible]
[illegible]	100	Exch. 12pc '13-'17	[illegible]	[illegible]	10.68	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Consols 4pc	[illegible]	[illegible]	10.77	
[illegible]	[illegible]	War Loan 3½pc‡‡	[illegible]	[illegible]	10.59	
[illegible]	[illegible]	Conv. 3½pc '61 Aft	[illegible]	[illegible]	6.07	
[illegible]	[illegible]	Treas. 3pc '66 Aft	[illegible]	[illegible]	10.74	
[illegible]	[illegible]	Consols 2½pc	[illegible]	[illegible]	10.72	
[illegible]	[illegible]	Treas. 2½pc	[illegible]	[illegible]	10.81	

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1990: 121.4 and for October 1990: 130.3

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]						

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	Chase Manhattan $12½	[illegible]		$1.20	-	23.1
[illegible]	524p	Chem. Banking Corpn.	594p	-4	$1.00	-	8.5
[illegible]	[illegible]	Chrysler $6¼	[illegible]	[illegible]	$1.20	-	10.3
[illegible]	[illegible]	Citicorp $1	[illegible]	[illegible]	$2.46	-	19.2
[illegible]	[illegible]	Colgate-Palmolive $1	[illegible]	[illegible]	$1.80	-	2.6
[illegible]							

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

APPOINTMENTS

Chairman of Brymon Airways

■ Former British Airways marketing director, Mr Jim Harris, is to take over as chairman of BRYMON AIRWAYS next March when the present chairman Mr Charles Stuart retires. Mr Harris is chairman of TPL, the Brymon holding company which also owns Birmingham European Airways, and Plymouth City Airport.

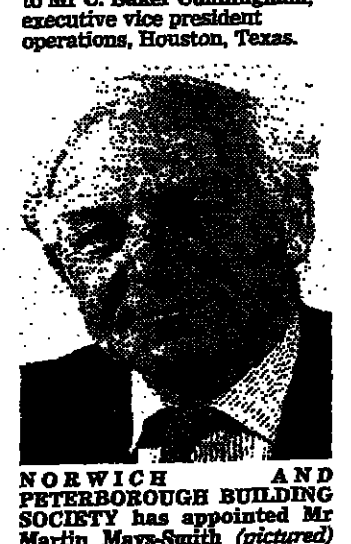
■ MERIDIEN HOTELS has appointed Mr Bernard Lambert as executive vice president - hotel operations. Since April 1 he has held the positions of senior vice president for the South American region and general manager of Le Meridien Rio.

■ CLARECRAFT DESIGNS, a Suffolk-based company specialising in the production of hand-made plaster and resin products, has appointed Mr Richard Joyce, formerly non-executive chairman, as managing director.

Mr Bernard Pearson and Ms Isobel Pearson, founders and directors, have handed over responsibility as joint managing directors to prepare the business for future trading. Mr Pearson remains design director while Ms Pearson becomes production director.

■ Mr Martyn Thomas, managing director of Sulzer (UK) Pumps, has become chairman of the BRITISH PUMP MANUFACTURERS' ASSOCIATION.

■ Mr Bruce L. Kent, plant manager, has been appointed managing director, COOPER TOOLS UK, part of Cooper Industries Inc. He succeeds Mr Geoff Spark, who has become executive assistant to Mr C. Baker Cunningham, executive vice president operations, Houston, Texas.



NORWICH AND PETERBOROUGH BUILDING SOCIETY has appointed Mr Martin Mays-Smith (*pictured*) as chairman. He joined the board earlier this year. Mr Mays-Smith is part-time chairman of Empire Stores, following a career in banking with Kleinwort Benson and Barclays.

Mr Sean Clarke (*pictured*) has been appointed GIROBANK's director of operations, based in Bootle, Merseyside. He was general manager clearing operations. Girobank is a subsidiary of Alliance & Leicester Building Society.

■ SPECIALIX has appointed Mr Ashley Fairfield-Green as sales director. He joined from MITEL Telecom where he was export director.

■ PAKUS, a supplier of software to the accountancy profession, has appointed Mr Gordon Wilkie as sales director.

■ FUJI BANK has relocated its Europe, Africa and the Middle East divisions, and this area's credit division, from Tokyo to London, which becomes the bank's European headquarters. Mr Naoaki Yokobori, director and general manager, London branch, becomes managing director responsible for all European operations. Mr Keisuke Yoshitomi takes over as general manager in London. He was general manager, international systems and operations administration division.

■ Mr Michael White has been appointed sales director of DATAHOUSE INFORMATION SYSTEMS.

■ Mr Alan Baxter has been appointed to the board of FKI. He is managing director of the electrical products group.

ROYAL MAIL PARCELFORCE has appointed Mr Mick Linsell (*pictured*) to the board as director of business systems. He was group general manager of systems and purchasing at Courtaulds Coatings.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£15½	£9	ABN Amro Fl5	£9½	+⅛	Q28%	2.1	8.9	5.3
303	144	ANZ SA1	144	−5	Q38c	♦	10.5	♦
233	172	Abbey National 10p	228	−1	5.7	4.3	3.3	9.2
274	128	Allied Irish Ord	149		Q40%	3.3	6.0	6.8
86	47	Anglo Irish	57		Q17.9%	♦	7.3	♦
93	61	Ansbacher (H.) 1p	61		2.5	1.3	5.5	17.6
£71½	£32½	Bancaire Cie Fr100	£47½	+1	Q12½%	−	2.8	−
£22½	£12½	Banco Bilbao Viz.	£12⅞	−⅛	Q49.1%	2.7	6.2	8.8
286	130	Bank Ireland Ir£1	149		Q14.7%	2.9	8.8	5.2
£19½	£13	Bank Leumi	£19½		−	−	−	−
351	320	Bank Leumi (U.K.)	350		15.0	−	5.7	−
129½	100	Bank Scotland	113	−4	4.55	3.4	5.4	7.2
100½	83½	Do. 9¼pc Irrd Pf.	98½	−1½	9¼%	−	12.6	−
54	39	Bank of Wales	42		2.8	0.8	8.9	(20.2)
428	290	Barclays £1	382	−12	19.57	3.5	6.8	5.3
22	10	Benchmark 20p	11	+1	0.75	−	9.1	−
335	223	Brown Shipley £1	224		12.0	2.2	♦	7.1
435	285	Cater Allen £1	382	+2	F24.5	−	8.6	−
179	29	Chancery	39		9.0	2.7	♦	1.6
£23¼	£14	Commerzbk DM10	£15½		Q18%	−	4.0	−
£13¼	620	Dai Ichi KBk Y50	719		Q17%	6.2	0.5	33.9
£3...	£189½	Deutsche Bk DM50	£203½	−½	Q28%	−	2.3	−
£20⅞	£14½	Espirito Santo	£15½	+⅛	Q75c	5.1	2.4	8.2
253	166	First Nat. Fin 10p	190		13.0	2.1	9.1	6.5
121	82	FNFC 6.3pc Cv. Pf	96		6.3%	−	8.7	−
£13½	633	Fuji Bank Y50	847		Q17%	6.9	0.4	36.0
325	262	Gerrard & National	312	+1	19.0	−	8.1	−
154	80	Guinness Mahon 10p	80		1.45	♦	2.4	♦
338	194	Hambros 20p	235	−1	11.5	−	6.6	−
128	88	Do. 7.5pc Cv Pf	97		7½%	−	10.3	−
53½	29	HK & Shang HK$2.50	30		hQ38c	−	8.5	−
478	373	Joseph (Leo) £1	373		15.85	−	5.7	−
150	105	King & Shaxson 20p	125	−1	10.25	−	10.9	−
422	262	Kleinwort Benson Grp	287		16.0	2.5	7.4	6.8
642	316	Kyowa Bank Y50	394	−1	Q14%	♦	0.8	♦
316	220	Lloyds £1	295	−5	13.3	2.6	6.0	6.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
12	3	Clearmark 5p	4¼	−¼	−	−	−	3.3
18	7½	Calorgen Inc. $0.01	7½		−	−	−	−
43	16	Comac Group 5p	16		−	−	−	♦
228	160	Community Hospital	175		5.3	2.7	4.0	11.7
71	7	Co. of Designers 5p	8		3.5	0.9	♦	2.4
288	165	Computer People 5p	167		5.85	3.8	4.7	7.1
71	41	Cont. Stationery 10p	41		4.0	2.2	13.0	4.4
306	48	Cookson 50p	104	+3	9.0	2.2	11.5	(4.4)
210	100	Cooper (Alan) 10p	101	−4	7.7	2.1	10.2	6.3
75	41	Copymore 5p	41		2.5	0.1	8.1	−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
113	70	Shiloh	78		12.63	3.9	4.5	7.6
150	101	Sidlaw Group	119		7.7	1.9	8.6	8.1
530	245	Siebe	277	−1	15.0	3.1	7.2	5.2
101	75	Silentnight 10p	89		5.0	2.1	7.5	8.2
120	51	Silvermines 2½p	56		Q22.7%	4.6	8.9	3.1
252	154	Sinclair (Wm.)	215		6.3	2.7	4.0	12.6
374	74	Sketchley	81	+1	6.5	1.1	♦	(11.0)
137½	88½	Smith & Neph. 10p	106½	+1	4.25	1.8	5.3	12.4
631	460	SmithKline Beecham A	589	+1½	W11.0	2.7	2.5	19.6
2780	2090	Do. Equity Units	2553		−	−	−	19.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

For York Trust see Babcock Prebon

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶¶ Not officially listed.
- ¥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1. γ	700xd	.....
Finlay Pkg. 5p. .. γ	36	-2
Holt (Jos) 25p..... γ	1385	.....

IRISH

Cap 8½% Ln 1991...	£98¼	.....
9pc Cap Ln. 1996..	£93¼	.....
Fin. 13% 97/02...	£110½	.....
Arnotts..............	167½xd	.....
Carrol (P.J.).........	154	.....
Helton Hldgs......γ	37½	-2½
IRG..................	140	-13½
United Drug.......	133	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5½
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	78
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	28
Nat West Bk	18
P & O Dfd.	42
Racal Elect.	14
RHM	23
Rank Org Ord.	49
Reed Intnl.	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petlm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm.	20
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	39 15	39 51	42 03	+0 27	6 52
Gilts & Fixed Int	6	109 8	109 8	116 5	-0 5	9 87
High Inc Equity	6	117.0	120 4xd	128.0	-0 3	4 96
Worldwide Bond	6	189 9	189 9xd	201 3	-0 4	7 45
Capital Growth						
American Growth	6	145 5	145 5	156 6	+0 9	1 23
Asian Pacific	6	92 55	94 57	100 6	-0 9	0 20
Assets & Earnings	6	143 6	147 2xd	156.5	-0 4	3 46
Capital Reserve Acc	0	99 70	99 70	99 82	-0 18	7 15
Capital Reserve Inc	0	83 80	83 80	83.90	-0 18	7 15
Comdty & Energy	6	73 35	73 35	78 44	+0 04	1 26
1992 Enterprise	6	54 37	55.77	59.32	-0 16	3.59
Euro Capital Acc	5	81 80	81 80	87.48	-0 31	1 37
Euro Capital Inc	6	78.55	78 55	84 01	-0.30	1 37
General	6	150 7	150 7xd	161 1	-0 30	3 10
Japan	6	82.41	82 41xd	88 13	-1.58	0 00
Mastertrust	6	74 93	74 93	80 13	-0 39	3 21
UK Growth Acc	6	135 1	135 1xd	144 4	-1 80	3 05
UK Growth Dist	6	87 38	87 38xd	93 45	-1 07	3 05
US Emerging Cos	6	40 14	40.14xd	42.93	+0.55	0 00
Income & Growth	6	261.5	261.5xd	279 6	-0 8	3.67
Ethical	6	40 66	41 85	44 52	-0 03	2.25
International	6	50 36	51 06	54 31	-0 31	0 92
Dividend & Growth	6	41 98	43 01	45 75	-0 11	4 92
Global Gwth & Sec	6	47 09	47 40	50 42	-0 10	1 98

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	23 90	23 90xd	25 34	+0 04	3 11
Cash	-	50 34	50 34	50 34		13 88
European	5¼	66 63	66 63	70 70	-0 06	0 00
European Income	5¼	68 70	68 70xd	72 82		1 70
Exempt	3	675 5	675 5xd	698 9	-3 70	3 34
Exempt Income	3¼	160.4	160.4	170 6	-1 9	4 97
Exempt American	3¼	282 7	282 7xd	294 0	-6 7	1.92
Exempt Pacific	3¼	178 8	178 8	186 2	-2 9	0 00
Extra Income	5¼	36 15	36 15	38 59	-0 14	6 44
Far East Emerg Econs	5¼	37 95	37 95	40 65	-0.32	0 00
Fund Inv Tst	5	96 85	96 85xd	103.3	+0 07	1 68
Fund Inv Tst Acc	5	153 0	153 0xd	163.3	+0 10	1 76
Gilt & Fixed Int	5¼	15 88	16 04	17 12	-0 02	11.62
Japan	5¼	136 6	141 7	145 0	-2 9	0 00

Brown Shipley & Co Ltd – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth ♣	6	22 26	22 26xd	23 71	-0 15	0 29
Monthly Income	6	47 01	48 25	51 39	+0 10	4 86
North American	6	50 07	50 07	53 32	-0 19	0 41
Orient ♣	6	86 27	86 27	91 88	-1 13	-
Recovery	6	33 06	33 06	35 21	-0 15	1 75
Smaller Cos Acc	6	172 4	172 4xd	185.3	-0 50	-
Smaller Cos Inc	6	104 2	104 2xd	112 0	-0 29	1 30

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	164 3	164 3xd	170 6		6 92

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	43 45	43 45	46 06	-0 22	4 90
(Accum Units)	5¼	45 61	45 61	48 35	-0.23	4 90
Fellowship Tst ♥	5¼	48 81	49 99	53 18	+0 25	4 03
(Accum Units) ♥	5¼	51 84	53 10	56 49	+0 26	4 03
General Inc	5¼	235 9	235 9xd	250 1	-0 9	4 33
(Accum Units)	5¼	418 1	418 1	443 2	-1 6	4.33
Income	5¼	136 1	136 1	144 3	-1 0	5 29
(Accum Units)	5¼	282 4	282 4	299 3	-2 3	5 29
International ♥	5¼	82 75	82 75	87 72	0 34	0 73
(Accum Units) ♥	5¼	114 3	114 3	121.2	-0 5	0 73
Smaller Co's	5¼	79 44	79 44	84 21	-0 08	3 13
(Accum Units)	5¼	89 01	89 01	94 36	-0.1	3.13
Inv Portfolio ♥	3	45 01	45 01	46 59	-0 05	3 69
(Accum Units) ♥	3	47 84	47 84	49 51	-0 06	3 69
High Income Port ♥	3	40 55	40 55	41 97	-0 12	5 97

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	60 52	60 52	61 38		12 72

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CCF Sel High Inc Eqty	5¼	43 11	43 82	46 62	-0 15	6 01
CCF Sel High Inc Eq Acc	5¼	44 07	44 80	47 66	-0 13	6 01
CCF Sel Intl Gwth	5¼	37 20	37 20xd	40.12	-0 26	0 00
CCF Sel Inv Tst	5¼	41 86	43 75	46 55	+0 09	2.47
CCF Sel Inv Tst Acc	5¼	42 41	44 33	47 16	+0 09	2.47
CCF Sel UK Sm Co's	5¼	40 51	41 94	44 62	-0 11	2.27
CCF Sel UK Sm Co's Acc	5¼	40 81	42 26	44 96	-0 12	2 27

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green W12 8SD 081-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5¼	47 16	48.31	51 39	0 33	2 86
Global Tst	5¼	35.36	35 76xd	38 04	-0 32	0 35
Recovery Tst	5¼	42 25	43.35	46 11	-0 40	1 92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane Ldn SE1 2QL 071 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	111 4	112 8	119 0	-0 60	4 80

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

Marlborough Managed Trust (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	46 13	46.51	49 47		5.28

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	76 88	76 88	81.61	-1 87	0 52
Income & Growth	5¼	52.58	52.58xd	55 81	-0 44	6 27
European (z)	5¼	49.18	49.18	52.20	-0 65	1 12
Nth American (z)	5¼	28 61	28 61	30 37	+0 14	1.73
Intl Growth(4-1)	5¼	48 96	50 04xd	53 12	-0.23	0 95
UK Growth	5¼	45 06	45 06xd	47 83	-0.51	3 62
Intl Income	5¼	42 86	43.32	45 98	+0 13	6.95
High Yield	5¼	41 40	41 93xd	44 51	+0 02	8 16
Charities	5¼	80.53	81 63xd	86.65	+0.1	7.05
Japan	5¼	34 07	34.07	36 16	-0.66	-

Matheson Unit Trust Managers Ltd (1200)H
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
SE Asia	6	39 06	39 06	41 78	-0.27	2.73
UK Growth (4-1)	6	58 60	58 60	62 67	-0.23	3 94
UK High Income	6	30.87	30.87	33 02	-0.08	6 12

Mayflower Management Co Ltd (1200)F
PO Box 249, Beckenham Kent BR8 4WA 081-663 3111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	303.3	303.3	322.7	-2.3	6 54
Global Inc	5	41 87	41.87	44 54	-0 14	5 39
Brit Leaders	5	240 8	240 8	256 2	-1.5	4 27
Intl Leaders	5	120 4	120 4	128 1	-0.2	3 18

Medical Investments Ltd (1100)F
1 White Hart Yard London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Health Fund	5¼	43.96	43 96	48 11	-1.88	34

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	5	102 0	102 1xd	109 0	(z)	0 68
(Accum Units)	5	108 9	109 1xd	116 4	(z)	0 68
American Income	5	30 75	30 75	32 68	(z)	9 15
(Accum Units)	5	40 98	40 98	43 57	(z)	9 15
American Sm Cos	5	37 46	38 15xd	40.70	(z)	0 00
(Accum Units)	5	37 97	38 68xd	41 26	(z)	0 00
British Blue Chip	5	52 94	53 08	56 62	(z)	3 13
(Accum Units)	5	58 26	58 42	62 31	(z)	3.13
Cash *	0	102.1	102.2	102 2	(z)	14.20
(Accum Units) *	0	107.5	107 7	107 7	(z)	14 20
European Growth	5	145 9	145 9	156 0	(z)	1 51
(Accum Units)	5	154.8	154.8	164.6	(z)	1.51
European Income	5	61 19	61.19	65 02	(z)	5 02
(Accum Units)	5	71 36	71 36	75 84	(z)	5 02

Mercury Fund Managers Ltd – Contd.

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 071-407 4404

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Income	6	127.7	130.7xd	139.1	-0 5	6.74
Newton Global	6	187 9	192.1xd	204 4	-0 6	3 58
Newton General	6	90.96	93.30xd	99.26	-0.9	4.87

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

NFU Mutual Unit Mngrs Ltd (1400)F
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Avon Equity	6	79.29	80 63	85 78	-0.86	4 41

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries. 0705 372222 Dealing 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	24 03	24 03xd	25 63	+0 09	1 99
(Accum Units) ♥	5¼	25 87	25.87	27 59	+0 10	2.99
Australian ♥	5¼	135.30	135 70	145.50	-0 40	2.46
(Accum Units) ♥	5¼	154 00	154 50	165 70	-0.48	2.46
Conscience	5¼	41 85	42.69	45.56	-0.24	1.71
(Accum Units)	5¼	43 37	44.24	47.21	-0.25	1.71
European	5¼	129.20	129 20xd	137.80	-0.10	1 13
(Accum Units)	5¼	136.30	136 30	145 30	+0 40	1 13
Extra Income	5¼	57 48	57 48	61.34	-0.19	9 96
(Accum Units)	5¼	76.29	76 29	81.41	-0 26	9 96
Far East Gth Acc ♥	5¼	96 16	96 16xd	102.70	-1.70	0 30
Gilt & F.I.	5¼	50 16	50 16	53 10	-0.24	9 44
(Accum Units)	5¼	102.00	102.00	107 90	-0.50	9.44
Gold ♥	5¼	27 30	27 65xd	29 73	+0 06	0 00
(Accum Units) ♥	5¼	29.40	29 77	32 01	+0 06	0.00
Income	5¼	43 12	43 12	45.99	+0 30	8 07
(Accum Units)	5¼	113 70	113 70	121 20	-0 90	8.07
Intnl	5¼	20 61	20 61xd	22.11	-0 19	0.50
(Accum Units)	5¼	29 21	29.21	31 34	-0.26	0.50
Jap Smaller Cos ♥	5¼	300.20	300 20	320 20	-4 70	0.00
Sing & Malaysian ♥	5¼	77 69	77 69	83 31	-0 97	0 00
(Accum Units) ♥	5¼	80 96	80 96	86 82	-1 00	0 00
Smaller Co's	5¼	22.41	22 41	24 09	-0.56	1.83
(Accum Units)	5¼	24 74	24.74	26.60	-0 64	1.83
Special Sits	5¼	22.89	22.89xd	24 61	-0 19	1.06
(Accum Units)	5¼	24 93	24 93	26.80	-0.21	1.06
Tokyo ♥	5¼	59 63	59.63	63 60	-2.03	0.00
(Accum Units) ♥	5¼	60.23	60 23	64.24	-2.06	0 00
UK Equity	5¼	118 40	118 40	126 20	-1 10	4 84
(Accum Units)	5¼	204 20	204 20	217 80	-1.90	4 84
US Smaller Cos ♥	5¼	36.18	36.18xd	38.69	+1.38	0.00

National Provident Inv Mngrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5	55 65	55 73	59 29	+0 30	1 73
NPI American Dist ♥	5	52 36	52.43	55 78	+0 28	1 73
NPI European Acc	5	62.32	62.90	66.91	+0 07	0.74
NPI European Dist	5	61 34	61 91xd	65 86	+0 07	0 74
NPI Far East Acc ♥	5	90 22	90 65	96.44	-1 74	0 36
NPI Far East Dist ♥	5	89 58	90 01	95.75	-1 73	0 36
NPI O'seas Acc	5	735.5	739 6	786 8	-2.20	1.51
NPI O'seas Dist	5	575 1	578.2	615.1	-1.90	1.51
NPI UK Acc	5	415 9	419 4	446 2	-3 00	5.07
NPI UK Dist	5	231 8	233 0xd	247 9	-1 70	5.07
NPI W'wide Acc	5	58.15	59.14	62 91	+0 08	0.58
NPI W'wide Dist	5	55.94	56.89xd	60.52	+0 07	0 58

Schroder Unit Trusts Ltd (1600)F
36 Old Jewry, London EC2R 8BS
Public Dlg: 071-606 8484 Broker Dlg: 071-606 0033

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Provident Institution

48 Gracechurch St London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	305 0	321 1	-1 4	-
UK Equity	384 9	405 2	-2 5	-
Overseas Eq	282.8	297.7	-0 8	-
American	207 1	218.1	+0 7	-
Far East	292.1	307 5	-5 0	-
Property	192 9	203 1	-0 2	-
Fixed Int.	238.6	251 2	-1 0	-
Indexed Gilt	149 9	157 8	-0 3	-
Deposit	172.9	182.1	+0.1	-
Pension Fund (Accum Units)				
Managed	422.5	444.8	-1 7	-
UK Equity	492.2	518 2	-3 1	-
Overseas Eq	463 4	487 8	-1.3	-
American	273 4	287 8	+0 7	-
Far East	487 8	513.5	-6 7	-
Property	239 9	252.6	-0 2	-
Fixed Int	290 2	305 5	-1 2	-
Indexed Gilt	164 8	173 5	-0 4	-
Deposit	238 2	250 8	+0 1	-
NPI Pensions Management Ltd				
Managed Fund	928 8	965 4		-

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd

PO Box 140 Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	61.8	65 1	-0 4	-
Stat Mkt Mngd Fund	57 8	60 9	-0 4	-
Equity Fund	67 0	70.5	-0 7	-
International Fund	49 9	52 5	-0 3	-
European Fund	60 1	63 2		-
North American Fund	48 0	50 5	-0 1	-
Pacific Fund	49 3	51 9	-0 9	-
Property Fund	86 9	91 5	+0 1	-
Fixed Interest Fund	54 0	56 9	-0 2	-
Index Linked Sec Fund	60 8	64 0	-0.2	-
Deposit Fund	66 5	69 9	.	-
NUAM Retirement Plans				
Mixed Fund	67 3	70 8	-0 4	-
UK Ordinary Share Fd	77 4	81 5	-0 7	-

OFFSHORE AND OVERSEAS

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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OFFSHORE AND OVERSEAS

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Major gets a cautious welcome

STERLING FINISHED around the middle of the day's range, but firmer overall after the foreign exchanges gave a cautious welcome to Mr John Major as Britain's new prime minister.

Relief that a period of political uncertainty had ended underpinned the pound, with the market reasonably content that UK economic policy is likely to continue on its recent path. The debate on interest rates continued, with sterling gaining support from the belief that Mr Major's administration is likely to take a cautious view, possibly being more resistant to pressure for rate cuts than the other candidates for the UK premiership.

The appointment of Mr Norman Lamont, former chief secretary to the Treasury, as chancellor of the exchequer, was announced after London had closed. It was widely expected however and appeared to have little impact on the pound in New York.

At the close in London the pound had climbed to DM2.9275 from DM2.9225. But it remained 2¼ pfennigs below the central rate against the D-Mark and was still the weakest member of the European Monetary System, although comfortably above its effective D-Mark floor of around DM2.8450.

Against other major currencies sterling rose to FFr9.8775 from FFr9.8600; to SFr2.5000 from SFr2.4875; and to Y256.00 from Y253.50, but lost ¼ cent to $1.9725 in terms of a stronger dollar. On Bank of England figures the pound's index gained 0.1 to 94.6.

The dollar was boosted by comments by Mr Alan Greenspan, chairman of the US Federal Reserve Board. He told a Congressional banking committee that while the fall of the dollar may aid exports and restrain imports it is also cause for concern by increasing upward pressure on import prices and putting at risk US access to foreign savings.

Mr Greenspan also cast doubts on any further easing of monetary policy in the near term. He said he favours a very stable policy, creating a non-inflationary environment, and added that he was not sure this was consistent with an easing of monetary policy now.

News that growth in US gross national product was revised down to an annual rate of 1.7 from 1.8 per cent in the third quarter was shrugged off by the market.

In London the dollar closed at DM1.4840, compared with DM1.4800 on Tuesday. It also rose to Y129.80 from Y128.30; to SFr1.2680 from SFr1.2590; and to FFr5.0075 from FFr4.9925. The dollar's index climbed to 60.3 from 60.0.

The D-Mark was generally firm in the EMS exchange rate mechanism, supported by expectations that German interest rates will remain firm to finance unification, while recessionary trends in other countries may produce rate cuts. The D-Mark finished as the second strongest member of the ERM, behind the Spanish peseta.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.499	-2.34	3.10	41
D-Mark	2.05586	2.05080	-0.25	0.93	18
Dutch Guilder	2.31643	2.31346	-0.13	0.81	8
Belgian Franc	42.4032	42.3584	-0.11	0.79	7
Irish Punt	0.767417	0.768087	0.09	0.60	-3
Italian Lira	1538.24	1540.67	0.16	0.52	-6
Danish Krone	7.84195	7.86949	0.35	0.33	-15
French Franc	6.89509	6.92457	0.43	0.26	-22
Sterling	0.696904	0.701669	0.68	0.00	-13

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 28	Latest	Previous Close
£ Spot	1.9715-1.9725	1.9822-1.9832
1 month	1.00-0.99pm	1.03-1.02pm
3 months	2.45-2.42pm	[illegible]
12 months	7.75-7.65pm	7.62-7.52pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 28	Previous
8.30 am	94.8	94.7
9.00 am	94.7	94.8
10.00 am	94.7	94.6
11.00 am	94.7	94.6
Noon	94.6	94.6
1.00 pm	94.6	94.6
2.00 pm	94.6	94.5
3.00 pm	94.6	94.5
4.00 pm	94.6	94.5

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Nov.27

CURRENCY RATES

[illegible]

* European Commission Calculations. † All SDR rates are for Nov 27

OTHER CURRENCIES

Nov 28	£	$
Greece	248.50 - 303.50	130.90 - 153.50
Hong Kong	15.3560 - 15.3730	7.7930 - 7.7950
Iran	126.00*	63.50*
Korea(Sth)	1402.00 - 1424.60	710.10 - 715.70
Kuwait	N/A	N/A
Luxembourg	60.40 - 60.50	30.60 - 30.70
Malaysia	5.2910 - 5.3035	2.6845 - 2.6865
Mexico	5787.85 - 5792.75	2938.00 - 2939.00
N Zealand	3.2270 - 3.2320	1.6365 - 1.6395
Saudi Ar.	7.3870 - 7.4010	3.7490 - 3.7510
Singapore	3.3605 - 3.3680	1.7045 - 1.7065
S.Af (Cm)	4.9375 - 4.9500	2.5040 - 2.5070
S.Af (Fn)	6.8730 - 6.9945	3.4845 - 3.5460
Taiwan	53.65 - 53.75	27.20 - 27.25
U.A.E.	7.2430 - 7.2470	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.44-4.39pm. 12 Month 7.74-7.64pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Nov 28	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.973	2.928	256.0	9.878	2.500	3.300	2196	2.303	60.45
$	0.507	1	1.484	129.8	5.007	1.267	1.673	1113	1.167	30.64
DM	0.342	0.674	1	87.43	3.374	0.854	1.127	751.0	0.787	20.65
YEN	3.906	7.707	11.44	1000	38.59	9.766	12.89	8590	8.996	236.1
F Fr.	1.012	1.997	2.964	259.2	10.	2.531	3.341	2226	2.331	61.20
S Fr.	0.400	0.789	1.171	102.4	3.951	1	1.320	879.6	0.921	24.18
H Fl	0.303	0.598	0.887	77.58	2.993	0.758	1	666.4	0.698	18.32
Lira	0.455	0.897	1.332	116.4	4.492	1.137	1.501	1000	1.047	27.49
C $	0.434	0.857	1.271	111.2	4.289	1.086	1.433	954.8	1	26.25
B Fr	1.654	3.264	4.844	423.5	16.34	4.136	5.459	3638	3.810	100

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth	12-mth.
1.9725	1.9627	1.9486	1.9290	1.8970

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9662	1.9732	1.9654	1.9730
Mar	1.9430	1.9500	1.9430	1.9504
Jun	-	-	-	1.9322

BASE LENDING RATES

[illegible]

MONEY MARKETS

Short sterling falls

PRICES OF short sterling futures fell and interest rates rose in London on the election of Mr John Major as UK prime minister. The market expects monetary policy to continue along a fairly tight path and sees an early cut in bank base rates as unlikely.

Fears that the price of short sterling futures may be too optimistic, in discounting a cut in base rates by delivery of the contract on December 19, was reflected in the weak opening of 86.88 on Liffe. It touched a low of 86.75, before closing at 86.77 against 86.95 on Tuesday.

UK clearing bank base lending rate 14 per cent from October 8, 1990

On the cash market three-month sterling rose to 13 11/16-13 9/16 per cent from 13 9/16-13 7/16.

The Bank of England forecast a money market credit shortage of £500m and provided total help of £466m.

Before lunch the authorities bought £164m bills outright, by way of £1m Treasury bills in band 1 at 13⅞ per cent and £163m bank bills in band 1 at 13⅞ per cent. In the afternoon another £172m bank bills were purchased, in band 1 at 13⅞ per cent. Late assistance of around £130m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £423m, with a rise in the note circulation absorbing £130m and bank balances below target £165m. These outweighed exchequer transactions adding £220m to liquidity.

In Frankfurt call money rose to 8.45 from 8.10 per cent as payment of money for pensions drained funds from the banking system. This money is expected to flow back today and credit conditions should also be relieved by payment of public sector salaries. The Bundesbank council meets today but is not expected to change credit policies.

In Paris call money rose to 10 1/16 from 9¾ per cent, moving above the effective 10 per cent ceiling where the Bank of France provides emergency five to 10-day funds. This was partly the result of demand for liquidity near the end of the month, and was also the result of the Bank of France's move to drain FFr18.5bn from the money market on Monday.

The central bank has tightened its grip on the market to defend the franc following the government's recent narrow survival of a vote of no-confidence and the narrowing of interest rate differentials between Paris and Frankfurt at the beginning of this month.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.28) 3 months US dollars		6 months US Dollars	
bid 8 5/16	offer 8 7/16	bid 8 5/16	offer 8 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½
Fed. funds	7¾
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.98	Three year	7.70
Two month	7.03	Four year	7.85
Three month	7.32	Five year	7.95
Six month	7.39	Seven year	8.19
One year	7.33	10-year	8.30
Two year	7.56	30-year	8.44

Nov 28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.40-8.50	8.10-8.20	8.60-8.75	8.65-8.80	8.85-9.00	8.50
Paris	9½-9⅝	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	10⅛-10¼	9.25
Zurich	7⅛-7⅝	8¼-8⅛	-	8½-8⅞	-	-
Amsterdam	8.50-8.60	8.52-8.60	-	8.90-9.00	-	-
Tokyo	8-8⅛	8 1/16-8 3/16	-	8 3/16-8 5/16	-	-
Milan	11¼-11¾	13½-13⅞	-	13-13½	-	-
Brussels	10.00	8 11/16-8⅞	-	9 1/16-9 3/16	-	-
Dublin	10-10⅛	10⅜-10½	10 7/16-10 11/16	10⅜-10⅝	10⅝-10⅞	-

LONDON MONEY RATES

Nov 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14⅜	14⅛	13 11/16	13	12½
Interbank Bid	12¾	14⅛	14	13⅝	12⅞	12¼
Sterling CDs	-	-	14 1/16	13¾	12 13/16	12⅜
Local Authority Deps.	14¼	14¼	14	13⅝	13	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14¼	13⅝	13	-	-
Company Deposits	-	-	14	13⅝	12 13/16	12⅜
Finance House Deposits	-	-	14¼	13⅞	12⅞	12⅞
Treasury Bills (Buy)	-	-	13 11/16	12⅞	-	-
Bank Bills (Buy)	-	-	13 11/16	12 13/16	12⅝	-
Fine Trade Bills (Buy)	-	-	14⅜	13 13/16	12 13/16	-
Dollar CDs	-	-	8.04	8.39	8.19	8.11
SDR Linked Dep. Offer	-	-	9	9⅛	9⅛	9⅛
SDR Linked Dep Bid	-	-	8¾	9	8 11/16	8 11/16
ECU Linked Dep Offer	-	-	9⅝	10¼	10¼	10⅜
ECU Linked Dep Bid	-	-	9¼	10⅛	10⅛	10¼

Treasury Bills (sell); one-month 13 17/32 per cent; three months 12 13/16 per cent, six months 12¼ per cent. Bank Bills (sell); one-month 13⅝ per cent, three months 12⅞ per cent; Treasury Bills: Average tender rate of discount 12.7493 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6). Deposit £100,000 and over held under one month 10½ per cent, one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent, nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

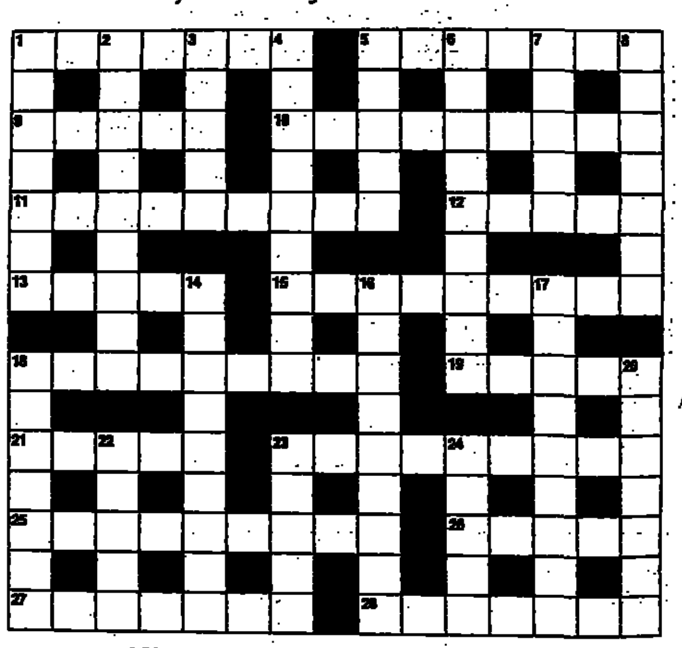
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

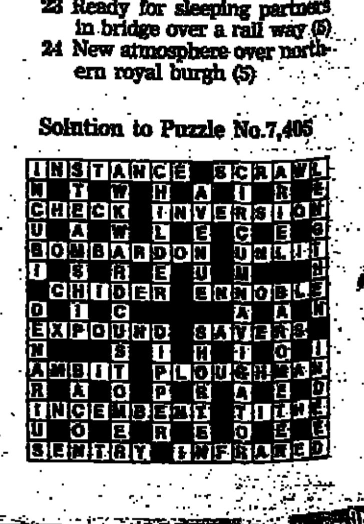
No7,406 Set by HIGHLANDER



ACROSS
1 Girl deceives hearing test (7)
5 Store or cock fowl (7)
9 Run away with East European on rebound (5)
10 She comes out with a list which is open to argument (9)
11 Revolutionary war drove indefinite number into the red (9)
12 Liable to put two and one together (5)
13 In conclusion, note the African antelope (5)
14 Piece of equipment put into action (9)
18 Shrub provides camouflage, forest warden said (9)
19 Dance to old record first (5)
21 Reins are mixed up (5)
23 Minute Round Table member appears during Wednesday evening perhaps (9)
25 First of the organised list of candidates to convert (9)
26 How architect was christened during one leave (5)
27 Respectful gesture appears rude; a positive reversal (7)
28 Difficult working inside this evening (7)

DOWN
1 Wrong name given to individual plant (7)
2 A number heard mentioned and stated previously (9)
3 Give up income (5)
4 Winning by a goal each round (9)
5 Nottingham Forest's popular hero on the wing (5)
6 Not in the odds studied and widely distributed (9)
7 Boat at sea has nothing forbidden (5)
8 Crete resort ensnared the French to return again (2-5)
14 Is dosage formulated without new medical opinion? (9)
16 Put people on short-time arrangement (9)
17 Moving at a comfortable pace in understanding surface conditions (4-5)
18 Nonconformist is present before it turns cold (7)
20 Not allowed to take letters to distant troops (7)
22 Said to goggle at fuss about a step (5)
23 Ready for sleeping partners in bridge over a rail way (5)
24 New atmosphere over northern royal burgh (5)

Solution to Puzzle No.7,405



WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices November 28

INDICES

NEW YORK

DOW JONES	Nov. 27	Nov. 26	Nov. 23	Nov. 22	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2543.81	2533 17	2527.23	(c)	2999 75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41 22 (2/7/32)
Home Bonds	90.28	90.24	90 13	(c)	93 04 (3/1)	88 44 (24/9)	—	—
Transport	839.13	835 80	844 12	(c)	1212 77 (6/6)	821.93 (17/10)	1532 01 (5/9/89)	12 32 (8/7/32)
Utilities	209 13	209.88	209 00	(c)	236 23 (2/1)	190 96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2562.62 (2541 58) Low 2516 09 (2489.85)

STANDARD AND POOR'S

	Nov. 27	Nov. 26	Nov. 23	Nov. 22	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	318 10	316.52	315.10	(c)	368 95 (16/7)	295 46 (11/10)	368 95 (16/7/90)	4 40 (1/6/32)
Industrials	373 06	371.25	369.71	(c)	437.37 (16/7)	346 86 (11/10)	437 37 (16/7/90)	3 62 (21/6/32)
Financial	22 12	21 81	21 34	(c)	31 87 (3/1)	18.80 (29/10)	35 24 (9/10/89)	8 64 (1/10/74)
NYSE Composite	173.87	172 96	172.39	(c)	201 13 (16/7)	162 20 (11/10)	201.13 (16/7/90)	4 46 (25/4/42)
Amex Mkt. Value	297 00	295 92	295.90	(c)	382 45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29 31 (9/12/72)
NASDAQ Composite	354.05	348 86	349 04	(c)	469 60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54 87 (31/10/72)

	Nov. 23	Nov. 16	Nov. 9	year ago (approx.)
Dow Industrial Div Yield	4 06	4.01	4 09	3.97

	Nov. 21	Nov. 14	Nov. 7	year ago (approx.)
S & P Industrial div. yield	3.44	3.39	3.55	2.97
S & P Indl P/E ratio	15.29	15.47	14.48	14 25

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Tremont Corp	2,353,400	1½	+ ⅜
MCA	2,239,300	65¼	+ ⅝
Philip Morris	1,789,100	48⅞	- ¼
Waste Man	1,719,700	31⅞	- ¼
Gen Motors	1,576,000	37⅛	...
Baxter Intl	1,567,400	27	+ ⅜
IBM	1,531,000	113½	- ⅜
Pepsico	1 388,000	26	+ ⅜
Limited Inc	1,351,000	14⅞	+ ¼
Gen Electric	1,337,500	53½	+ ⅛

TRADING ACTIVITY

† Volume Millions	Nov. 27	Nov. 26	Nov 23
New York	147 590	131 540	63 350
Amex	13.057	9.485	5.866
NASDAQ	114.600	84 730	69 416
Issues Traded	1,999	1,975	1,880
Rises	948	788	643
Falls	569	716	681
Unchanged	482	471	556
New Highs	15	4	7
New Lows	37	42	24

CANADA

TORONTO	Nov 27	Nov. 26	Nov. 23	Nov. 22	1990 HIGH	1990 LOW
Metals & Minerals	2561.37	2564 65	2582.65	2568.41	3453.05 (4/1)	2486 60 (8/11)
Composite	3140 01	3127.58	3118.42	3103.81	4009 47 (3/1)	3009 91 (16/10)
MONTREAL Portfolio	1667.67	1662.96	1661.00	1658.05	2060 90 (3/1)	1607 24 (16/10)

Base values of all indices are 100 except NYSE All Common—50, Standard and Poor's—10 and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed (u) Unavailable.

	Nov. 28	Nov 27	Nov. 26	Nov. 23	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1351.1	1350 3	1355 4	1366 6	1713 7 (12/1)	1291 2 (2/11)
All Mining (1/1/80)	623 6	624 7	627 4	635 9	860 8 (5/1)	624 7 (27/11)
AUSTRIA						
Credit Aktien (30/12/84)	444 14	449 11	452.16	454 87	703 29 (19/5)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5016 28	5045 52	5075.31	5096 55	6599 43 (12/1)	4959 99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	324 94	325 92	326 10	325 12	388 29 (20/7)	324 94 (28/11)
FINLAND						
Unitas General (1975)	413 2	412.8	413 2	412 1	677 3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	426 00	426.36	433 16	432.37	564 62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1601.25	1605 92	1607.24	1640.06	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	618 99	622.74	631 77	639.33	832 32 (19/7)	569 69 (28/9)
Commerzbank (1/12/53)	1757.2	1768.3	1795 0	1816 7	2414 0 (3/4)	1628 7 (28/9)
DAX (30/12/87)	1420 62	1415.26	1443 16	1493.36	1968.55 (30/3)	1334 89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2986.39	2998 94	2995.52	3016 06	3559 89 (23/7)	2738 24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1216 25	1223 47	1226.73	1211 43	1893 10 (22/1)	1205.35 (16/11)
ITALY						
Banca Com. Ital. (1972)	501 40	500 77	511 73	521 44	763 52 (14/6)	500.77 (27/11)
JAPAN						
Nikkei (16/5/49)	23053.88	23623.51	23762.86	(c)	38712 88 (4/1)	20221 86 (1/10)
Tokyo SE (Topix) (4/1/68)	1697.35	1734 30	1747 08	(c)	2867 70 (4/1)	1523 43 (1/10)
2nd Section (4/1/68)	2969 37	3001.19	3021.40	(c)	4477 16 (16/7)	2859 49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	466 79	468 42	471 50	475 64	632.22 (1/8)	459 08 (28/9)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	228.2	228 8	227.9	229 7	271 9 (20/7)	225 6 (8/11)
CBS All Shr (End 1983)	167 2	167 7	167 1	168 4	206.3 (5/1)	165 6 (8/11)
NORWAY						
Oslo SE Ind (2/1/83)	684 79	675 52	672 27	667 68	915 13 (2/8)	653 46 (21/11)
PHILIPPINES						
Manila Comp (2/1/85)	615 49	610 62	634.20	643 75	1160 70 (21/3)	514 80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	310 79	310 89	312 20	313 90	446 87 (16/7)	301 45 (1/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1266 0§	1299 0	1319 0	1236 0	2230 0 (16/1)	1236 0 (23/11)
JSE Industrial (28/9/78)	2783 0§	2787 0	2784 0	2763 0	3211 0 (6/2)	2640 0 (1/10)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	699 76	687 27	680 56	679 99	928 82 (4/1)	566 27 (17/9)
SPAIN						
Madrid SE (30/12/85)	228.23	228 06	227.52	230 84	309 74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen (1/2/37)	825 2	815 6	822.2	828 7	1329 9 (5/7)	815 6 (27/11)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	617 2	614.3	614 6	625 2	845.5 (13/7)	613 4 (28/9)
SBC General (1/4/87)	512 4	510 4	510 4	519.4	698.2 (13/7)	510 4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	4144 76	4386.32	4582 56	4926.39	12495 34 (10/2)	2560 47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	587 15	592.60	601 85	638 95	1143 78 (25/7)	587 15 (28/11)
WORLD						
M.S. Capital Intl (1/1/70) (5)	458 7§	463 1	463.5	464 7	571 0 (4/1)	423 1 (28/9)

** Saturday November 24: Taiwan Weighted Price 4801 08; Korea Comp Ex. 678 92
§ Subject to official recalculation. *Calculated at 15 00 GMT
Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264 3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday 28 November 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	11 3m	372	-24	NKK	7 0m	365	-17
Honshu Paper	10.9m	1,950	-170	M'subi Shpbldg	6.3m	484	-24
Kyosan Elec	8 1m	1,550	+20	Hitachi	5.8m	1,050	-40
Tokio Mne & Fre	8 0m	1,260	-30	S'tomo Metal	5.2m	388	-19
Kobe Steel	7.4m	449	-17	T'sho Mne&Fre	4.5m	946	+11

3pm prices November 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37¼	9½	AAR	.48	4.2	7	545	11½	11	11⅞	
9¼	7¼	ACM n	1.01	12.		163	8¾	8½	8⅝	- ⅛
11⅜	8¾	ACMIn	1.26	13.		1786	10	9¾	9⅞	
9¼	6½	ACM M n	1.01	14.		404	7⅜	7¼	7⅜	+ ⅛
12¼	10	ACMMM	1.50	13.		89	11⅝	11½	11½	- ⅛
11½	8⅝	ACM Sc	1.26	13.		2171	9⅝	9⅝	9⅝	+ ⅛
9⅜	7¼	ACMSp	1.01	12.		407	8⅝	8¼	8⅜	+ ⅛
24⅝	15⅞	AL Lab	.16	.7	18	48	22⅜	22	22¼	+ ¼
5¼	1	AM Intl				151	1⅜	1¼	1¼	- ⅛
20⅝	4⅝	AM In pf	2	28.		29	6⅞	6½	6⅞	+ ¼
70¼	39¾	AMR			13	3213	46¼	43¾	43⅞	- 1¾
26½	25	ANR pf	2.67	10		7	25⅝	25½	25⅝	
4	1⅛	ARX				27	1⅝	1½	1½	
72¼	38¼	ASA	3	7.3		370	41¼	40¾	41	+ ¼
3½	3⅛	ATTC wt				216	3⅜	3⅛	3⅛	- ⅜
45⅝	31¼	AbtLab	s.84	2.0	20	3882	43	42⅜	42⅝	+ ⅛
14	10⅞	Abitibi g	.50			13	11⅛	11⅛	11⅛	- ⅛
11⅜	4⅝	AcmeC	.40	7.1	13	54	5⅝	5⅜	5⅝	+ ¼
8⅜	5	AcmeE	.32	6.0	9	3	5⅜	5⅜	5⅜	
32¾	18⅞	Acuson s			22	3362	27½	25	27½	+ 3⅛
18⅞	14⅛	AdaEx	1.72e	12.		110	14⅝	14½	14½	- ⅛
15⅜	10	Adobe				16	10½	10½	10½	+ ⅛
21⅝	19¾	Adob pf	2.40	12.		165	20	20	20	+ ¼
11⅜	3⅝	AMD				1900	4¼	4	4¼	+ ⅛
32⅜	13	AMD pf	3	20.		28	14⅞	14½	14⅞	+ ⅛
9¼	1⅝	Advest	.16	7.5		29	2⅛	2⅛	2⅛	
62	29	AetnLf	2.76	6.9	9	5281	40½	39¾	40	+ ⅛
12⅜	6¼	AlIPb	.24	3.3		944	7⅛	7	7¼	+ ¼
22½	10⅝	Ahmans	.88	6.6	5	2724	13⅜	13	13¼	- ⅛
3⅝	1⅞	Aileen			7	5	2⅞	2⅞	2⅞	- ⅛
61	42⅞	AirPrd	1.44	2.7	13	3249	53	51⅞	52⅞	+ 1
27	13½	AlrFrt s	.30	1.8	8	310	17⅛	16⅞	16⅞	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High
93	88	BosE pf	8.88	10.		z30	88¼
15½	14⅛	BosE pr	1.46	10		7	14⅜
29⅛	16⅛	Bowatr	1.20	5.4	8	1701	22¼
14½	6¼	Brazil	3.19e	45		1084	7¼
34	20½	BrigSt	1.60	6.1	10	116	26¼
65⅞	50½	BrMySq	2.12	3.3	35	9076	63⅞
38⅜	25	BritAir	2.09e	7.3	4	480	28⅝
47⅛	30¾	BritGas	2.53e	5.5	12	166	46½
86¼	58⅝	BritPt	4.37e	5.4	21	1434	81
14½	5⅞	BritP wt				438	10¼
26⅞	19⅞	BritSd	2.16e	9.0	5	610	24½
57⅞	40¾	BritTel	3.12e	5.7	11	381	55½
12¼	3¼	Broadin	.20	4.3	5	4706	4⅝
97⅝	28¼	BHP	1.23e	3.7	13	3	33¼
12½	7¼	Brooke	.56	7.1	5	55	8
32¼	25	BklyUG	1.84	6.2	14	161	29⅞
17⅛	6⅜	BwnSh	.32	3.8	12	130	8⅝
30⅛	19¼	BrwnGp	1.60	7.0	12	150	23¼
49¼	20¾	BrwnFr	.64	3.0	13	5350	21⅝
16¼	6⅛	Brnswk	.44	6.6	7	963	8
25¼	11½	BrshWl	.72	4.8	28	124	15¼
28⅞	22⅞	Buckeye	2.60	10.	9	106	25
17⅞	12	BunkrH	1.64	12.		7	13⅜
14⅞	10½	BKInv	1.64	14.	10	26	11¾
16⅞	8⅝	BurlCt s			7	48	9¾
39¼	22¼	BurlNth	1.20	4.6	8	1532	26⅛
9¾	7⅞	BrtNo pf	.55	5.9		40	9⅞
50¼	38¼	BrlRsc	.70	1.6	28	786	43¼
20¼	10½	BurnPP	1.36	10	35	67	13¼
11⅞	1¼	Bustnld				843	1½
		- C - C - C -					
31¼	14¼	C&S Sovr	1.56	9.0	7	31346	17⅛
44⅜	28½	CBI In	.60	1.5	18	180	40⅝
206¼	151½	CBS	4.40	2.7	13	686	163⅝

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20	8⅛	Reebok	.30	2.8	7	2000	10⅞	10⅝	10¾	+ ⅛
11½	1⅝	Reece	.05j			6	2¼	2⅞	2¼	+ ⅛
½	3-16	Regal				124	13-64	3-16	13-64	
15	6⅛	ReichTp	1.52	18.	5	102	8½	8¼	8½	+ ¼
6⅝	4⅛	RelGrp	.32	7.3		82	4½	4⅜	4⅜	+ ⅛
30⅝	20⅛	Repsol	n.85e	3.9		1112	22	21¾	21⅞	− ⅛
5	2⅜	RepGyp	.19t	6.6		51	2⅞	2¾	2⅞	+ ⅛
52⅝	37¼	RepNY	1.32	3.0	6	141	44¾	44⅝	44⅝	+ ⅛
7⅜	1¼	Rexene				72	1⅞	1½	1½	
27⅞	11½	ReyRey	.84	5.4	7	72	15⅝	15⅝	15⅝	− ⅛
70	49½	ReyMtl	1.80	3.6	7	4248	50⅝	50	50⅜	+ ⅛
87⅜	56¼	RP Rorr	n.84	1.4		470	61⅞	61⅜	61⅝	+ ⅛
19	8¾	RhP pfA1.60e		17.		7	9¾	9½	9½	− ¼
22	9¾	RhoPl n1.60e		16.		6	10	9⅞	10	
38⅝	29½	RiteAid	.90	2.6	14	124	35	34⅝	34⅞	
11-32	5-128	RvrOak				46	5-128	5-128	5-128	
18¼	8¼	RbtHlf			10	11	10¼	10⅛	10¼	+ ⅛
5½	3⅞	RbtCec n				182	4⅛	3⅞	4⅛	+ ⅛
22⅛	16⅞	RochG	1.56	8.2	10	305	19⅛	19	19⅛	+ ⅛
43½	24⅝	RochTl	1.46	5.1	17	159	29⅛	28½	28⅞	+ ⅛
21½	15¼	RckCtr	1.82	10.	15	721	18⅝	18⅛	18⅝	+ ⅜
28⅜	19⅞	Rockwl	.86	3.2	10	2417	26⅞	26⅝	26⅞	+ ⅛
35⅞	24¾	RohHaas	1.24	3.9	11	290	32⅛	31¼	31⅞	+ ⅜
26¼	11½	Rohr				898	14½	14	14½	+ ⅝
15¾	7⅞	RollinE	.08	1.0	19	1660	8⅝	8⅛	8⅝	+ ⅛
20⅜	15⅞	Rollins	.56	3.0	16	584	18½	18⅛	18½	+ ⅛
9⅞	5⅝	RolLess	.20	3.0	7	109	6⅝	6⅝	6⅝	− ⅛
15⅞	8⅞	Rowan				1807	12⅛	11¾	12⅛	+ ¼
26⅝	19⅝	RBSct pr2.95e		13.		99	22½	22¼	22½	+ ⅛
87	68	RoylD	4.25e	6.4	12	2480	78⅝	78⅞	78	− ⅝
9⅞	7	Royce	.52e	6.8		237	7¾	7½	7⅝	+ ⅛
45	31	Rubmd	.60	1.5	23	857	40	39	40	+ 1
18⅞	13¾	RussBr	.60a	4.0	13	2	15	15	15	
31	16	Russell	.32	1.5	13	573	21⅞	21	21⅛	− ⅛
28⅜	12¼	Ryder	.60	4.5	13	2412	13⅝	13⅛	13¼	+ ⅛

12 Month High	Low	Stock	Div.
10½	7⅛	SunDis	n1.10
4½	2⅛	SunDisB	
22½	8¼	SunEl	
13⅝	10⅛	SunEng	1.36e
43⅝	25¾	SunCo	1.80
39⅞	21¾	Sundst s	1.18
4	1⅝	SunMn	
9⅜	5½	SunM pf1.19	
24⅛	16½	SunTrst	.92
20⅜	14¼	SuprFd	a.34
29	21⅞	SupVals	.65
25½	14⅞	Suprlnd	s.26b
17½	10⅞	SwHelv	.05e
18¼	5⅞	SybrTc	
12⅜	6½	SymsCp	
18	12⅝	Synovs	.36
63⅜	46⅞	Syntex	1.80
38⅛	25⅝	Sysco	.28
24⅞	5½	SystCt	
		− T − T −	
24⅛	4⅛	TCBY	.40
14⅜	5½	TGF Fn	.40
8⅜	6⅛	TCW	.84
51⅛	33⅞	TDK s	.28e
32⅛	28⅛	TECO	1.82
8⅛	6⅛	TIS	1.28
17⅞	8⅜	TJX	.48
22½	14½	TNP	1.63
61⅛	30⅞	TRW	1.80
4½	½	TacBt n	
40⅝	14	Taiwan	1.88e
11⅞	4⅛	Talley	.50
18⅛	9	Talley pf	1
91	62⅞	Tambd	2.40
30½	8⅞	Tandem	

− X − Y − Z −

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60⅛	29	Xerox	3	8.9	6	3217	33⅞	33¼	33¾	+ ⅛
32⅝	13	XTRA	.72	5.2		254	13¾	13⅝	13¾	+ ⅛
25	12½	XTRA pf1.94		15.		25	13½	13⅞	13⅝	+ ⅛
4	⅝	Zapata				357	11-16	⅝	11-16	+ 1-16
13⅛	4	ZenithE				910	6⅝	6⅛	6⅛	+ ⅛
19⅞	9⅞	ZenNtl	.88	8.2	7	561	10⅞	10⅝	10¾	
7⅞	4⅝	Zenix	.93	21.		102	4⅝	4½	4½	− ⅛
17⅛	8⅞	Zero	.40	3.6	12	53	11⅛	11	11⅛	− ¼
51⅛	29⅞	Zurnin	.88	2.8	14	269	32⅝	31⅞	32	− ⅝
12⅝	10⅛	Zweig	1.16e	11.		339	10⅞	10½	10⅝	
10	7⅞	ZweigTl	.84	6.7		761	6⅞	6⅝	6⅝	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 28

NASDAQ NATIONAL MARKET

3pm prices November 28

Stock	Div.	Sales 100s	High	Low	Last	Chng
WilmTr	1.44	10 228	37	34⅝	35¼	+ 1⅛
WiserO	.40a	29 1102	16⅛	16	16⅛	+ ⅛
Wolohn	.28b	8 36	13⅞	13¼	13½	
WrvExp		1145	5⅛	5⅛	5⅛	
WrvEx pf		147	14¼	13⅝	13⅝	− ⅛
Worthg	.60	15 1057	19¾	19⅛	19¾	+ ⅛
Wyman	.80	48	7⅛	6¾	6¾	− ⅛
		− X − Y − Z −				
XL Dta		5 38	7⅝	7½	7½	− ½
XOMA		2524	17⅝	16½	17⅝	+ 1
Xilinx		365	12¾	12½	12¾	
YanEnS	1.52	17 72	21½	20⅞	21½	+ 1
YelowF	.94	26 323	23⅝	22¾	23	− ⅛
YorkRs		11 151	8¾	8⅝	8¾	+ ⅛
Zeos		16 162	14⅛	14	14	− ½
ZionBc	1.44	7 18	28¾	28¾	28¾	

FINANCIAL TIMES Thursday November 29 1990

AMERICA

Dow posts modest gain although bonds weaken

Wall Street

A QUIET morning saw equities posting modest gains in thin trading, *writes Karen Zagor in New York.*

At 2 pm. the Dow Jones Industrial Average was up 4.95 to 2,548.76 on modest volume, with advancing issues leading those declining by a ratio of nine to five. On Tuesday, the Dow closed up 10.64 at 2,543.81.

Trading started on a negative note after Mr Alan Greenspan, chairman of the Federal Reserve, said that it was not clear whether the Fed would need to cut interest rates further. Although the impact of Mr Greenspan's comments was short-lived, US Treasury bonds weakened amid disappointment that the Fed would not follow a more aggressive policy. At mid-session the treasury's bellwether 30-year bond was down ⅛ for a yield of 8.43 per cent.

Dun & Bradstreet slid $1⅞ to $38⅝ after falling $⅞ on Tuesday, when D & B said that it would take two of its units off the market. However, analysts do not expect the move to have a significant impact on the company's performance.

Shares in Philip Morris were actively traded yesterday morning after Moody's Investors Services said that it had upgraded its ratings on the company's senior debt and commercial paper. Moody's added that the company had demonstrated its ability "to maintain strong bondholder protection measures while expanding its businesses both internally and through acquisition." At midsession the stock had gained $⅛ to $49⅞.

Waste Management remained high on the New York Stock Exchange's most active stocks list for a second successive day, adding $⅞ to $33⅞. Profit-taking on Tuesday afternoon had pushed the stock $⅛ lower to $31⅞ after a morning rise on the news that one of the company's subsidiaries had won a 17-year contract in Hong Kong to build and run a chemical waste facility for the government.

Manufacturers Hanover lost $⅛ to $18⅝ after it said that it would acquire about $1.6bn in deposits at 14 Goldome branches in the New York area.

Goodyear Tire & Rubber jumped $1 to $16⅞ on news that a pipeline owned by Goodyear subsidiary would be used to transfer oil from Chevron's Point Arguello Oil Field.

UNUM rose $⅞ to $46, after gaining $2⅞ on Tuesday on a "buy" recommendation from Lehman Brothers. The long-term disability insurer will make a presentation to investors this week.

Phelps Dodge fell $⅞ to $51⅞ after Goldman Sachs removed the issue from its recommended list.

In the secondary market, Hasbro added $1⅛ to $15⅞ after the chairman of the big toy company said that he expected essentially flat earnings in 1990. Last year Hasbro had net income of $1.56 a share on sales of $1.41bn.

Shares in Mattel, Hasbro's main competitor, rose $⅞ to $19⅞. The company expects to post record earnings and sales in 1990 and good growth in 1991. Last year, Mattel had net earings of $1.60 a share on sales of $1.24bn.

Canada

TORONTO stocks followed Wall Street higher after a weak start. The composite index gained 10.6 to 3,150.6 on volume of 12.95m shares. Advances led declines by 185 to 178.

Thomson Corp, which said its earnings for the first nine months had fallen from C$1.47 to 55 cents per share, dropped by C$⅛ to C$15⅞.

Curragh Resources gained C$⅞ to C$6⅞ after a block of 2.04m shares were crossed by Nesbitt Thomson Deacon. A Nesbitt mining analyst said in a quarterly report that Curragh is worth three times its current list price.

Brazilian rebound is called into question

Victoria Griffith evaluates this month's recovery in the light of economic prospects

AFTER A disastrous performance in September and October, and the effective merger of the Rio de Janeiro and São Paulo stock exchanges earlier this month, Brazilian share prices have rebounded this month by about 45 per cent in cruzeiro terms and by 23 per cent in dollars.

However, the weight of inflation, the cruzeiro's renewed weakness against the dollar and severe threats to economic and corporate prospects for 1991 are putting a large question mark against these gains for the third time this year.

In cruzeiro terms, this month's rise has been well above an inflation rate which is expected to reach 17 to 19 per cent in November. Unfortunately, market strategists are predicting further real increases in the dollar, and equities will need to register continued large upward swings to sustain a rise in dollar terms.

If investors base their decisions on future earnings potential, they will find reason to worry. The Brazilian economy is expected to perform poorly next year, because of the administration's zealous fight against inflation.

Following a monetarist strategy, the government has been sucking in the money supply since June, a policy which should start to have a visible affect in January or February; with this month's inflation surging, the central bank has stepped up the pressure even further.

The result, according to Mr Rudiger Dornbusch, an economics professor at the Massachusetts Institute of Technology, will be Brazil's worst recession in 50 years. The Color government itself is predicting a 40 per cent drop in consumer spending for the first quarter of 1991, compared with the same period this year.

There is hope for the equity market. The export sector should benefit from a sharp increase in the dollar/cruzeiro exchange rate over the past two months. Analysts also believe the market could shoot ahead if Brazilian negotiators sign an accord on debt with the international banking community.

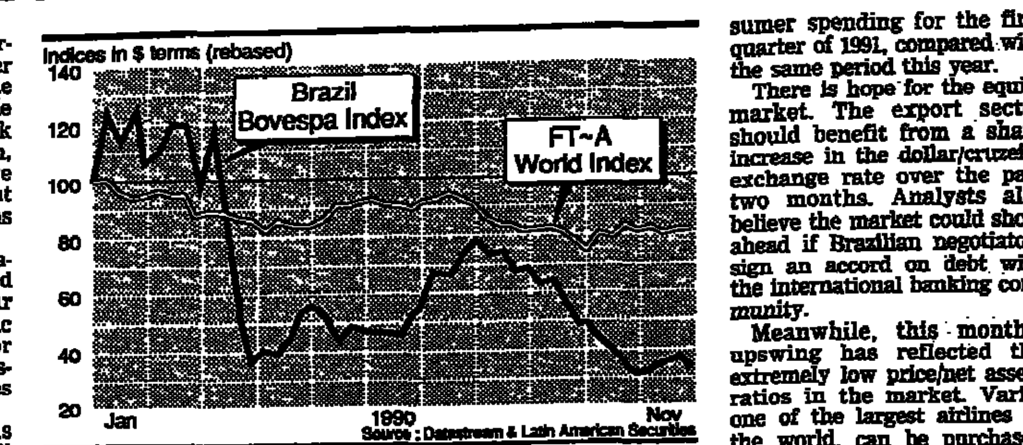
Meanwhile, this month's upswing has reflected the extremely low price/net assets ratios in the market. Varig, one of the largest airlines in the world, can be purchased for $48m, about the price of a Boeing 737-300 with a few extras thrown in. Varig possesses 12 of these jets, among the cheapest in its fleet of 76 aircraft.

Even after the latest recovery, Brazilian companies are valued in the equity market at only 35 per cent of their net assets, on average. The level is one of the lowest ever; prices have dropped to such feeble levels before only in 1987, when they reached 34 per cent, and in 1982, when they dipped to 27 per cent.

Estrela, the toy group, looks extremely enticing, priced at just 16 per cent of its net asset value, and Varig itself is little more expensive at 16 per cent.

The scenario would be a break-up artist's dream if it were not for the fact that most of the shares on the market are preferential, offering no voting rights and no opportunity for a hostile takeover bid.

Given this fact, Mr Fernando Nabuco, president of the São Paulo Stock Exchange, believes that the share price recovery will be short-lived. "This is not the beginning of a boom," he says. "There are two reasons for the surge: the first is the realisation that companies here are incredibly cheap; the second is that the market is catching up with previous months' inflation."



EUROPE

Wait for UN move restrains bourse activity

TRADING WAS lively in individual stocks in several bourses yesterday, but activity was generally restrained before the expected approval today of a resolution on Gulf action by the Security Council of the United Nations (UN), *writes Our Markets Staff.*

FRANKFURT had a mixed day with more rises, proportionately, in blue chips than in the market as a whole. The 30-share DAX index rose 5.36 to 1,420.62 with 19 advances, 10 declines and one component stock unchanged, while the more broadly based FAZ index fell 3.73 to 1,420.62 at midsession.

However, the rise in the DAX, with big internationals such as Daimler and Deutsche Bank up DM5.50 and DM6.50, to DM571.50 and DM586 respectively, served to highlight the gentle slide in Siemens, masked in the previous three days by a 5.4 per cent drop in the index itself.

Market volume rose from DM4.3bn to DM5bn. Siemens turning over DM1.07bn by itself as it fell another DM5 to DM592, a recovery of about DM7 from its low in the prebourse. There were reports that Degab, the investment research arm of Deutsche Bank, had downgraded its earnings per share forecasts for Siemens on Monday for the year ending on October 1, 1991, from DM50 to about DM45.

Apparently Siemens itself helped the research process along, and its downrating has been much less traumatic for the market than those resulting from the more severe analyses of, for example, Volkswagen or the big three chemical companies. "It seems to have been a typical Siemens goalpost-moving exercise," said Mr Adrian Phillips of Kleinwort Benson.

MADRID was enlivened by a huge put-through in one stock worth Pta8.16bn — more than the total daily turnover in some recent sessions. A block of 1.337m shares or 18 per cent of Azucarera, the sugar company in which Banco Central and sugar broker ED&F Man have large stakes, was traded at Pta6,100 a share, up Pta100 from Tuesday's close.

Telefónica, the telecommunications company, eased Pta2 to Pta319 with 2.96m shares traded after its chairman forecast a rise in net profits this year of 7-10 per cent, described as in line with or slightly better than expectations.

Speculation that Mr Carlos Solchaga, the economics and finance minister, was under pressure to resign did not upset the market, said Mr Ignacio García of FG, the Madrid brokers; the bolsa was more concerned by the prospect of news of the UN resolution today. The general index added 0.17 to 228.23.

PARIS also saw a large block trade, with 818,306 shares or 9.5 per cent of GTM-Entrepose, the building company, sold at FFr295 a share through Swiss Bank Corp in association with Ducatel Duval, the French brokers. The stock closed FFr11 lower at FFr278 with a total of 846,906 shares exchanged. One name mentioned was Lyonnaise des Eaux, which acquired an interest in GTM through its merger with Dumez earlier this year.

Also active in the construction sector was Auxiliaire d'Entreprises, which gained FFr62 or 6 per cent to FFr1,102 with 177,000 shares traded. The rise was due to a revival of speculation, said a salesman.

The CAC 40 index moved closer to the 1,600 level, ending at 1,601.25, down 4.67. But this represented a recovery, triggered by a rumour that Iraq was seeking talks with the US, from its early low of 1,589.34. Dealers expected the wait for the UN announcement today to keep the market quiet.

STOCKHOLM rebounded after a two-week fall to the year's low. The Affärsvärlden General index rose 9.6 or 1.2 per cent to 825.2 in improved turnover of SKr199m, up from SKr188m. Heavy buying interest in Ericsson and Astra led other shares higher.

Ericsson free B shares rose SKr6 to SKr189 and Astra free Bs added SKr5 to SKr480. Astra holds an analysts' meeting in Stockholm in December to give an update on sales of its antiulcer drug, Losec, in the US.

OSLO continued to strengthen, with the all-share index rising 7.36 or 1.6 per cent to 468.95 in improved turnover of NKr359m, up from NKr277m.

MILAN ended mixed in light trading after two days of heavy selling. Brokers expected a further short-term recovery as traders covered short positions. The Comit index came off the year's low to end 1.00 higher at 501.40.

A strike by floor traders planned for December 6 was suspended before a meeting on Friday with Prime Minister Giulio Andreotti, who has promised to speed up the stock market reform legislation.

Auto maker Fiat rose L91 to L5,260 but fell back to L5,240 after hours. The car company said after the market closed that it planned to build two production plants in southern Italy, requiring an investment of about L5 trillion over the next three years.

AMSTERDAM drifted lower in thin turnover. The CBS Tendency index lost 0.2 to 94.6.

Volmac, the software company, fell 60 cents to Fl 31.50 after saying that it expected 1990 net profit to fall more than 20 per cent.

Heineken, the brewing group, eased 30 cents to Fl 128.70 after presenting the unions with a watered-down rationalisation proposal. It proposed to cut its workforce of 3,800 by 250 over the coming three years.

ZURICH rose in very thin trading. Alusuisse bearers leading with a rise of SFr24 to SFr998 as the Crédit Suisse index closed 2.4 higher at 458.5. In industrials, Roche came back from a bout of profit-taking, putting on SFr80 to SFr3,650; and in banking, CS Holding saw a major order and rose SFr30 to SFr1,605.

ISTANBUL recovered some ground after its two-day fall of 12.7 per cent. The index bounced up 161.21 or 4.9 per cent to 3,438.39.

ASIA PACIFIC

Nikkei falls 2.4% on talk of speculators in trouble

Tokyo

EQUITIES opened on a positive note following the overnight rise on Wall Street, but initial gains were reversed as rumours that speculators might be in financial trouble circulated in the afternoon. The Nikkei average fell sharply as nervousness spread to end a net 569.63, or 2.4 per cent, down at 23,053.88, *writes Emiko Terazono in Tokyo.*

The index opened at 23,609.52 and soon reached the day's high of 23,767.06 on hopes that trading in December contracts, which started yesterday, would lift prices. The index fell to a low for the day of 23,046.25. Volume improved from Tuesday's 250m shares, but stayed sluggish at 340m.

Declines finally outnumbered gains by 878 to 111, with 106 issues unchanged. The Topix index of all first section stocks shed 36.85 to 1,697.35, and in London the ISE/Nikkei 50 index lost 5.04 to 1,281.67.

Rumours that a large real estate and investment company had got into financial trouble unnerved many players. The market has been worried recently about companies with heavy property exposure at a time of softening prices and high interest rates. Speculative stocks thought to be linked to the company in question were heavily sold. Isetan, the department store, dropped Y330 to Y2,610, Honshu Paper Y170 to Y1,950 and Kurabo Y100 to Y1,080.

Iseki & Co, a large agricultural machinery maker, fell Y100 to Y800 on rumours that Kyowa Corporation, a steel frame builder and property speculator which has just filed for bankruptcy protection, was a significant shareholder.

The expiry dates of margin contracts traded six months ago weighed on the market, with large-capital steels and shipbuilders once again losing ground. Nippon Steel weakened Y24 to Y372, Kobe Steel Y30 to Y1,280 and Sumitomo Metal Y19 to Y388.

Shipbuilders were also depressed following a report that ship prices were expected to fall. Mitsui Shipbuilding retreated Y24 to Y464.

Pioneer Electronics, which had been attracting buyers in the wake of its inclusion in the Nikkei average, receded Y210 to Y3,640. *Many participants* felt that the issue was overbought after its two-day rise.

Fifty-one issues hit lows for the year. Among them were high-technology shares such as Fujitsu, down Y32 at Y960, Hitachi, falling Y40 to Y1,050, and TDK, Y30 lower at Y4,230.

Financials were the few bright spots of the day. Regional banks were bought on continued hopes of mergers. Taiheiyo Bank gained Y50 to Y1,170, Yamanashi Bank Y30 to Y850 and Yamagata Bank Y1 to Y710. Insurers returned to favour. Taisho Marine & Fire increased Y11 to Y945, while Chiyoda Fire & Marine put on Y7 to Y832.

In Osaka, stocks were affected by similar rumours. The Osaka Stock Exchange suspended trading of Noda Industrial, the agricultural machine maker, on talk that the company was connected to a speculator who had financial difficulties. Nintendo fell Y1,000 to Y22,700. The OSE average lost 579.33 to 25,997.68 on volume of 51.9m shares, up from Tuesday's 42.3m.

Roundup

TOKYO'S DROP caused other Pacific Rim markets to relinquish early gains yesterday, which had followed the firm close on Wall Street.

AUSTRALIA fell from the day's high to end little changed after ANZ reported a larger than expected drop in profits and cut its dividend. ANZ shed 8 cents to A$3.69 on turnover of 4m shares and dragged other banking shares lower. The All Ordinaries index ended 0.8 up at 1,351.1. Turnover shrank to A$124m from A$151m.

NEW ZEALAND was also disappointed by ANZ's results, but the market was encouraged by softer domestic interest rates. The Barclays index rose 10.49 to 1,288.45.

TAIWAN *declined for the* fourth day on persistent Gulf jitters. The weighted index fell 241.56, or 5.5 per cent, to 4,144.76. Volume decreased to T$57.75bn from T$67.72bn. Papers and banks posted the sharpest declines.

SINGAPORE was affected by Tokyo rumours that a large *property company might be in* financial difficulty. The Straits Times Industrial index kept within a narrow range all day and finished 3.47 off at 1,115.82. Turnover was down to S$38.1m from S$55.5m.

MANILA was buoyed by a last-minute rally. The composite index rose 4.87 to 615.49. *Selected oil issues continued to* gain support from big players, who are still banking on an oil find in the southern Philippines. Drilling resumed yesterday as weather conditions improved.

KUALA LUMPUR continued to see weakness in the banking sector, whose index fell 16.72 to 1,902.29. The composite index edged down 1.63 to 466.79.

HONG KONG closed lower after the thinnest day's trading for seven weeks. The Hang Seng index slipped 12.55 to 2,986.39 and turnover declined to HK$530m from HK$579m.

SEOUL firmed on demand for manufacturing and financial issues. The composite index climbed 12.49 to 699.76 and turnover expanded to Won249bn from Won195.7bn.

SOUTH AFRICA

SHARE TRADING in Johannesburg was thin as fluctuations in the financial rand kept investors away. The all-gold index fell 23 to 1,266, with Vaal Reefs losing R5 to R215, while the all-share index dropped 17 to 2,595.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 27 1990								MONDAY NOVEMBER 26 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (76)	123.69	+0.1	92.85	100.31	95.18	107.03	−0.3	7.28	123.83	93.25	100.61	95.90	107.39	158.31	118.98	144.45
Austria (19)	197.27	−0.5	148.09	159.99	151.79	152.04	−0.9	1.80	198.20	149.51	161.31	153.75	153.49	285.63	178.57	147.51
Belgium (61)	137.53	+0.5	103.24	111.53	105.82	103.61	−0.5	5.59	136.85	103.23	111.37	106.15	104.12	160.02	126.67	147.28
Canada (120)	125.02	−0.1	93.85	101.38	96.19	105.33	+0.2	3.81	125.09	94.36	101.80	97.02	105.07	153.61	121.24	148.90
Denmark (33)	245.74	+0.3	184.48	199.30	189.09	189.84	−0.3	1.58	245.03	184.83	199.42	190.06	190.37	277.62	234.05	229.90
Finland (25)	104.35	+0.8	78.34	84.64	80.30	77.89	+0.5	3.92	103.52	78.09	84.25	80.30	77.53	152.29	98.91	120.14
France (122)	139.32	+0.8	104.59	112.98	107.19	109.11	+0.0	3.81	138.22	104.26	112.48	107.20	109.06	168.85	124.98	138.33
Germany (91)	116.93	−0.6	87.77	94.84	89.97	89.97	−1.4	2.53	117.64	88.74	95.75	91.25	91.25	144.63	101.38	103.20
Hong Kong (48)	121.90	−0.2	91.51	98.86	93.80	121.93	−0.1	5.43	122.09	92.09	99.36	94.71	122.10	147.49	112.24	116.64
Ireland (17)	153.82	+0.6	115.47	124.75	118.36	120.18	−0.1	4.35	152.91	115.35	124.45	118.61	120.34	198.57	139.04	163.57
Italy (91)	76.41	−1.8	57.36	61.96	58.79	63.31	−2.8	3.89	77.78	58.67	63.30	60.33	65.02	109.26	76.41	92.16
Japan (454)	129.32	−0.4	97.08	104.88	99.52	104.88	−0.8	0.81	129.88	97.97	105.71	100.76	105.71	197.26	106.58	193.04
Malaysia (35)	191.88	−0.6	144.04	155.61	147.64	198.27	−0.6	3.40	193.01	145.59	157.08	149.71	199.41	250.89	182.96	204.23
Mexico (12)	568.41	+0.7	426.69	460.98	437.36	1828.36	+0.7	0.38	564.72	425.98	459.60	438.05	1815.27	568.41	324.53	286.28
Netherland (41)	134.71	+1.1	101.12	109.25	103.65	102.64	+0.4	5.24	133.19	100.47	108.39	103.31	102.28	149.03	127.56	131.24
New Zealand (16)	48.36	−2.4	36.30	39.22	37.21	41.99	−2.3	8.00	49.57	37.39	40.34	38.45	42.97	75.36	47.90	74.87
Norway (27)	217.35	+1.0	163.16	176.28	167.24	170.59	+0.4	1.81	215.20	162.33	175.15	166.94	169.86	276.79	202.34	175.29
Singapore (25)	155.85	−0.1	117.00	126.40	119.92	122.64	−0.1	3.60	155.97	117.65	125.94	120.98	122.60	209.24	147.24	163.95
South Africa (60)	172.27	−3.8	129.32	139.71	132.55	132.36	−0.7	4.18	178.98	135.01	145.66	138.83	133.30	251.39	151.50	169.11
Spain (42)	145.59	+1.0	109.29	118.08	112.02	103.57	+0.3	5.35	144.11	108.70	117.29	111.78	103.28	182.25	128.54	157.81
Sweden (27)	153.11	−1.0	114.94	124.18	117.82	125.74	−1.4	3.23	154.69	116.68	125.89	119.99	127.49	234.93	153.11	166.84
Switzerland (68)	87.70	+0.7	65.84	71.13	67.49	68.45	+0.0	3.08	87.12	65.71	70.91	67.59	68.43	109.77	85.00	90.44
United Kingdom (296)	170.68	+0.8	128.13	138.41	131.32	128.13	+0.3	5.43	169.30	127.71	137.77	131.31	127.71	176.18	139.87	142.91
USA (533)	128.39	+0.5	96.38	104.13	98.79	128.39	+0.5	3.85	127.71	96.33	103.94	99.07	127.71	148.95	119.06	140.32
Europe (962)	138.40	+0.4	103.89	112.25	106.50	105.49	−0.2	4.41	137.83	103.97	112.17	106.92	105.73	157.65	124.91	127.83
Nordic (112)	170.59	−0.1	128.06	138.35	131.26	130.39	−0.5	2.33	170.74	128.79	136.96	132.44	131.13	223.29	170.59	169.15
Pacific Basin (654)	128.52	−0.4	96.48	104.23	98.89	105.19	−0.8	1.21	129.06	97.35	105.04	100.11	105.99	192.75	107.82	188.20
Euro−Pacific (1616)	132.90	−0.1	99.76	107.77	102.25	106.12	−0.5	2.57	132.98	100.31	108.22	103.15	106.68	174.18	116.03	164.13
North America (653)	128.10	+0.5	96.16	103.90	98.58	126.87	+0.5	3.85	127.46	96.15	103.75	98.89	126.22	146.43	119.26	140.73
Europe Ex. UK (664)	118.71	+0.1	89.11	96.29	91.36	92.21	−0.7	3.62	118.58	89.45	96.53	92.00	92.81	145.62	109.94	117.47
Pacific Ex. Japan (200)	118.39	−0.2	88.88	96.03	91.11	105.67	−0.3	6.24	118.59	89.45	96.53	92.00	106.03	148.72	116.03	130.31
World Ex. US (1808)	133.27	−0.1	100.04	108.09	102.55	105.79	−0.5	2.62	133.41	100.63	108.59	103.49	107.33	173.77	117.12	163.73
World Ex. UK (2043)	126.62	+0.0	95.05	102.69	97.44	112.00	−0.2	2.72	126.60	95.49	103.04	98.21	112.24	162.00	115.37	155.44
World Ex. So. Af. (2281)	130.28	+0.1	97.80	105.67	100.25	113.47	−0.1	3.03	130.10	98.13	105.89	100.92	113.64	161.84	118.04	154.21
World Ex. Japan (1887)	132.46	+0.4	99.43	107.43	101.93	118.20	+0.2	4.16	131.95	99.53	107.40	102.37	118.01	151.59	124.31	135.87
The World Index (2341)	130.53	+0.1	97.99	105.87	100.45	113.60	−0.2	3.04	130.39	98.36	106.12	101.15	113.78	162.05	118.33	154.30

Latest prices were unavailable for this edition.

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